Saying "NO" with a smile . . .
The credit file . . .
The Bonneville project
. . . Congress' activity . . .
Pittsburgh Convention plans.

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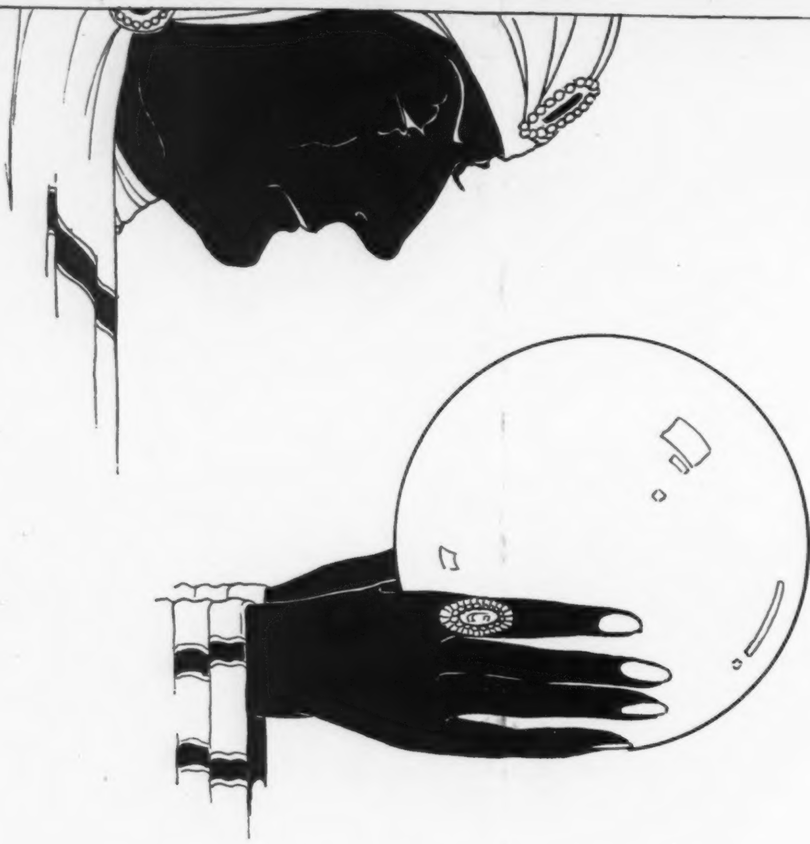

CONTENTS FOR MARCH, 1935

Looking ahead

With the recent reverberations surrounding the gold-clause decision by the Supreme Court still echoing, we present in our April issue an article by Financial Editor L. D. Clark of the Oakland, Cal., Tribune on the recent gold mining activity in that state. This will be the fourth in the series by prominent financial editors of the country's leading newspapers, the third by Leon Baketel being the account of the Bonneville Dam project in this month's publication.

Advance details about the 40th Annual Convention and 5th Credit Congress of Industry will also be announced. The conclave is slated for Pittsburgh, June 17-21.

Cover drawn by WM. ROSCOW

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Antiquated accounting

It is difficult to understand why a nation so progressive will lumber along under an accounting system so archaic. Trying to analyze the exact financial condition of the Federal Government is a problem just about equal to solving a complicated Chinese puzzle.

Consider the appropriations in the past and present sessions of Congress. Millions of dollars have been appropriated for loan purposes. The loans have been made to companies and individuals through the Reconstruction Finance Corporation and the Home Owners' Loan Corporation.

These appropriations are labeled expenditures. It is only because of past practice that we can justify labeling these sums as expenditures for, if we are to face the situation realistically, even under the worst of conditions a great deal of this money will be repaid. Indeed, repayments are being made daily and will continue to be made. In theory, at least, every dollar of the loan should eventually be repaid. In practice, we know there will be some bad debt loss.

If we wish to make one important gesture in the direction of sound procedure, it seems a true accounting system for our government is in order. Such a system would be one with a single ledger that could give a government balance sheet comparable to that which the government is now demanding from industry.

In addition, legislation should demand the earmarking of returnable funds at the time of appropriation. When these funds are returned, legislation should direct they be utilized for the retirement of the bonds which brought the funds to the government. Such a system of appropriation would remove some of the shock attendant upon so large a public debt. And it would save these funds from diversion for pork-barrel measures.

The time has come for our people to demand an accurate accounting system from their government. Aside from the benefits flowing from the knowledge of just where we stand, true accounting would picture for every citizen the exact financial status of our government. In these times that is important. The sooner we check up on our mounting obligations and decide we will curb them before they outgrow our capacity, the smaller these obligations will total and the easier payment will be. Antiquated governmental accounting leaves us ignorant of our true financial position.

Henry H. Heimann

Executive Manager, N.A.C.M.

Saying "No" with a smile!

What to do when the appraisal of credit does not show sufficient strength to warrant immediate shipment of an order. What would you do in such cases? Here's a symposium of opinions from three leading credit executives.

When the buyer is willing but the credit is weak, the credit executive has a delicate problem to solve.

Should he send the goods—and take a chance on collecting for it later?

Should he turn down the order and concentrate on current orders that he knows are worthy of shipment on open accounts because of the excellent credit records as shown, for instance, in Credit Interchange reports?

Or should he turn down the request for a credit sale and yet try to keep the buyer's good will so that he will be willing to buy from the credit executive's firm at a future date when, possibly, his credit standing has improved?

It has undoubtedly happened more than once in the experience of readers of Credit and Financial Management that they have had the problem of turning down a request for goods because the credit record of the would-be buyer has not been such as to permit forwarding. And yet the efficient and conscientious credit executive will realize that in turning down a would-be buyer, because the credit record does not warrant credit for the present, he can do it in such a manner that the good will is retained and an opening left for credit sales in the future should the customer show improvement.

In short, for the credit executive, the problem is summarized thus, paraphrasing the well known: "The NO with the smile wins."

In line with this thought the editors have contacted credit executive readers in order to find out what they do in such cases. One of those contacted is Mr. William Bishop, Jr., Assistant Credit Manager of the Graton & Knight Company of Worcester, Mass.

He tells us that "it is quite difficult to answer the question in brief because of the number of factors entering into a problem such as outlined. There must be considered the size of the initial order, the question as to whether this material would only be bought occasionally or whether it is of a nature that would produce constant repeat orders; and numerous other factors of this kind.

"In general we try to approach such a situation from the angle that available information is more or less obsolete, but that it indicates a tendency toward delay in handling obligations which we would hardly be prepared to undertake. We then suggest that we should be glad to be furnished with figures or references or both indicating that this situation has been overcome. This puts it right up to the customer and in the case of an undesirable risk, of course, these conditions are impossible for him to fulfil.

"In the same letter we suggest that in order to avoid the delay incidental to following up the reference he permit us to make shipment of this initial order on sight draft or equivalent terms, or we suggest that until such time as he may be in a position to submit figures indicating a more progressive trend that he permit us to make shipment on sight draft or equivalent terms and that when such figures are available we shall be very glad to give due consideration to handling the orders on a more mutually satisfactory basis.

"A specimen letter to a concern ordering regular material of a repetitive nature would probably read somewhat as follows:

"We have for acknowledgment your order of——— on which we should be glad to be in a position to make immediate delivery.

"In going over our records, however, we are sorry to find that we apparently have not had the pleasure of previous transactions with you and that the information available through the usual channels is somewhat obsolete.

"Such information as is available, however, would appear to indicate the necessity for some extension of accommodation beyond the time which we should ordinarily be prepared to undertake although it is entirely possible that later figures would indicate that the necessity for this extension has since been overcome.

"If you have available more recent figures indicating a trend toward and improvement in the general situation we should be very glad to have you send us a copy of these, so that we may make the necessary analysis and be in a position to make shipment on regular terms, and should appreciate it if you would give us the names of a number of concerns from whom you have been buying actively on open terms during recent months so that we may complete our files.

"If this information is not available we are sure you will be glad to permit us to make shipment of this initial order on sight draft or equivalent terms with the understanding that just as soon as such figures are available we shall be very glad to make the necessary analysis with a view to handling shipments on a regular open account basis.

You will find enclosed a return envelope to facilitate confidential delivery of your reply to my desk and we should appreciate hearing from you within the next few days so that the earliest possible shipment can be made."

This letter, as Mr. Bishop points out, "expresses entire willingness to let the customer show us, and at the same time, throws the burden on him and we have found this method of handling this

situation to be quite effective."

In commenting upon the policy maintained by Mr. E. L. Boneau, Credit Manager of the Brown Shoe Company of St. Louis, "Printers' Ink," a New York publication, has pointed out that "few companies treat poor credit risks with such consideration as the Brown Shoe Co. of St. Louis. This organization looks upon each dealer as a potential source of profit. A retailer's bid for credit is not flatly rejected. Rather the dealer is shown in intimate detail just how he can put his business on a sounder basis. In doing this, of course, the Brown Company draws upon its wide experience with all sorts of shoe dealers and acts in the capacity of a merchandising counsel. This is not altruism, but just good business. The company knows that in helping the dealer put his house in order it stands in a better position to benefit by his prosperity.

"E. L. Boneau, in outlining the treatment of such situations, says:

"We will assume we have before us at this time, a substantial order from a merchant whom we have never sold before. The customary credit investigation is made, and the reports are now at hand. The financial statement, let us say, shows an inventory of $10,000 with a nominal cash balance and no other assets except fixtures and with debts of $5,000. This usually is about all of the information the average financial statement contains.

"Under ordinary circumstances, with a ratio of two to one in quick assets, this might be considered a desirable credit, particularly in that the subject had been in business for many years, with a clear record, and, until recently, had paid his bills with reasonable promptness at maturity.

"On further inquiry, however, it is learned that his retail sales are running at the rate of about $30,000 a year, with an expense of operation of approximately $7,500 annually. The average terms on which purchases are made are sixty days so we find with $30,000 of annual sales and $7,500 of operating expense, he has available with which to meet his obligations $22,500 each year, or, on a basis of sixty-day terms, approximately $3,750 every sixty days, whereas you will note the indebtedness is shown at $5,000 showing surplus debts for merchandise of $1,250 or one-third more than his retail sales, less expenses will keep active on sixty-day terms. Hence, we find that he is on an average thirty days slow in meeting his payments.

"On the other hand, assuming the average mark-up is 33⅓ per cent, then the cost of sales is $20,000. We know from past experience that retail shoe stocks—that is, family shoe stocks, should turn at least three times a year at a cost to represent cost value, so we say anything above one-third of cost of sales, or $6,666 in the inventory is subject to liberal depreciation.

"As a result, we can look upon the inventory as representing a value of only $6,666, plus any salvage that may be obtained from the sale of obsolete merchandise; which ordinarily would be small. With a $5,000 debt against such valuation, it is readily determined the risk which, on the basis of cold figures, appears satisfactory, has depreciated substantially, and would hardly prove satisfactory.

"In declining such business, we would outline our view of the situation very much in the manner in which I have outlined it here, urge the merchant to convert his surplus stock into cash as quickly as possible, and from the proceeds, reduce his indebtedness to an amount that will make it possible for him to keep his bills paid within the terms on which he buys; then to install a merchandising program and budgetary control to keep the inventory at all times in proper balance with sales.

"We would offer him our assistance to bring about that result, and assure him of a sufficient line of credit to maintain his operations when and if the necessary corrections had been made.

"In dealing with the situation, we would view the business rather from its future possibilities than from its past operations, or its present financial conditions, and keep constantly before us the possibility of converting the store to a future source of outlet of considerable proportions."

An interesting angle on the whole matter is presented by Justus Francisco of the Bissell Varnish Company and President of the Bridgeport, Conn., Association of Credit Men. He says:

"Perhaps I have (*Cont. on page* 37)

"No" in any language is "No"

Most big publishing offices return the manuscripts for which they have no use, enclosing a little printed form letter with them.

At the head-office of a big Chinese daily published in Peking they have the following form-letter for such occasions:

"Highly esteemed Brother of the Sun and the Moon! Your slave is at your feet. I kiss the soil before you and implore you let me speak and yet remain among the living. Your manuscript, Oh Highly Esteemed, you were so kind as to let us peruse it. We have read it with enthusiasm and delight. I swear by the Tombs of my Ancestors that never have I read anything more sublime. In awe and fear I am returning it to you. If I ever dared publish this treasure, my President would immediately order me to keep it always before me as a shining example and not to print anything after it. My literary experience gives me the courage to declare that literary pearls of this kind occur only once every ten thousand years. Therefore I take the liberty of sending it back to you. I implore your forgiveness. I throw myself at your feet as a slave of your slave."

A Japanese publishing office is more outspoken. It encloses the following little circular with unacceptable manuscripts:

"Dear Son! Your writings are masterpieces of technique and your style is incomparable. Okakura Kazuzo, the Greatest of the Great, wrote no better. From North to South, from East to West, there is nobody equal to you! Your writings are good, permit us therefore to lay them back in your lap. Continue to be our subscriber and we all beg you to preserve us your benevolence also in future."

The Soviet State publishing office, "Gosisdat," has the following laconic message in store for its unwanted contributors:

"Comrade! We have no use for your Miscellanies. Should this induce you to discontinue your subscription with us, we remind you of the disposition of the People's Commissars, of January 2, 1932, whereby deliberate damage to State institutions or the Five Year Plan is punished with fifteen years penitentiary or hard labor."

—Briefed from "Die Woche," by "Magazine Digest."

Revision of data in files necessary in credit work

Pittsburgh executive points to Credit Interchange reports as best means for keeping in touch with paying habits of customers . . . Cites three types on which date should be revised frequently.

By W. H. CHRISTY, Credit Manager,
Arbuthnot-Stephenson Co. Pittsburgh.

In order that we may consider in an understanding way the matter of a credit file, we need to take into account the position that the credit problem occupies in any business transaction. The granting of credit involves the placing in the hands of our customers, for the time being, a certain part of our principals' capital. Most of us are employees, and are entrusted with the safe-guarding of the invested capital of our respective firms that is represented in our accounts receivable. We do well to take seriously our trusteeship of these receivables.

It is advisable to pay attention to our credit files for several reasons.

1. For the sake of uniformity in the opening of new accounts. In all accounts there are certain pertinent facts that we should ascertain and record, such as correct name, address, shipping point, banking connections, references, etc. We need to know as to the origin of an account, the amount of the first order, the shipping date, and terms. Also as to the composition of the customers business, whether an individual, partnership, or corporation.

2. We need a file to relieve the memory. A good rule is "File it." We need to train ourselves to reduce to writing all essential facts that come to our attention on any account in which we have an interest and label our notations in such a way that they may be readily filed. It is well to train our memories but do not trust to memory the many details on a large number of accounts that can just as easily be carried in the credit file.

3. A complete file is worth while for the reason that it furnishes a medium of ready reference. We expect to find in the file all the essential facts that have to do with any particular account. These facts should check up satisfactorily with the picture of the account itself as shown on the ledger sheet. There should be at hand in the credit file sufficient tangible favorable information at all times to justify the amount of credit extended to any particular account.

4. The file should be maintained in order to facilitate the making of comparative studies on any account or on any group of accounts. It is important and interesting to note the trend of an account either up or down from one period to another and the information to be found in the credit file will make such comparisons possible and convenient.

The file itself should be as simple as may be at the same time practical and serviceable. It should be readily accessible and easily adjustable so that it will meet the requirements of the different classes of accounts that may be represented on the books. Files should be revised and corrected frequently, keeping in mind that too much rather than too little data represented in the files is to be desired. Constant revision is necessary with three classes of accounts in particular.

1. Those accounts that are showing a disposition to increase their purchases and as a matter of course their ledger balances.

2. Those that are showing a tendency toward slowness, which formerly were prompt and satisfactory.

3. Those that show continued substantial balances whose financial statements are not well proportioned, or whose relative indebtedness is excessive.

The information contained in the credit file will vary somewhat, in the different lines of business. In whatever line, however, there are many essential and pertinent facts that should be secured on each account. In many lines there are trade associations and special sources of information from which may be secured facts that may have an interesting bearing on the subjects' credit standing. Attorney reports are usually valuable as they give a picture from a local viewpoint. Information as to collections placed, suits entered, judgments rendered, and so forth, and all such items should be carefully noted and placed in file.

The mercantile agency reports, of course, are indispensable in compiling any credit file which will show the type of organization of the subject, the length of time in business, something of the personnel, the location of the business, the fire and failure record, and most important the financial statement together with a comparison of the statements of different periods.

After all has been said, however, about any given account the one question of first importance is not "What is he worth," but "How does he pay?" Many accounts (*Continued on page* 33)

Co-operation saved the day

Pages of N.A.C.M. history are dotted with incidents which show the value of co-operation between credit executives. One of the most important types of such cases embrace the work of handling adjustments and liquidations in special cases. Here's one example of what an Association executive can accomplish with the proper co-operation from members interested in any particular case.

By C. G. COBB

Secretary Manager, New Orleans Association of Credit Men

"Hello, is that you Mr. Johnson?" —"This is Ellzey. I am calling a meeting of my larger creditors at the office of my attorney for one o'clock today."

It was then 11:00 A. M. June 11th. This same call went out to seven other creditors, and at the appointed hour with expressions of surprise and astonishment they met with Mr. Iddo M. Ellzey and his attorney.

Mr. Ellzey, a native of Mississippi, came to New Orleans in 1907 and opened a retail grocery store. Subsequently he became manager of a branch of the Nelson Grocery Stores, a chain organization.

In 1913 he branched out for himself and succeeding he later became the owner of a pressing shop and shoeshine establishment and sometime thereafter bought an interest in a commercial hotel. Ellzey had only the rudiments of a country school education, but with the knowledge which he acquired in the grocery business he became ambitious to own his own chain of stores.

Being a shrewd buyer and favored by fortune he finally became the owner of twenty stores. During all of the years leading up to his peak he overlooked many essential matters that ultimately caused his downfall.

Buying and selling on a very close margin, handling countless details himself, handling nearly a half million dollars annually, he believed a simple bookkeeping system all that was necessary. At no time in recent years did he have an accurate knowledge or statement of his financial condition.

He made a number of injudicious investments which depreciated rapidly when the crash came. On March 1st, 1933 when President Roosevelt declared a bank holiday he had $5000.00 in cash with one institution, owed them a similar amount secured by warehouse receipts. Requiring the merchandise to carry on his business he was compelled to take up his loan. The bank in which he had the deposit went into liquidation. The greater part of his deposit being frozen and forced to take up his loan to obtain pledged warehouse receipts meant a loss to him in working capital of $7000.00, which together with loss in investments approximated $30,000.00.

When Mr. Ellzey asked his larger creditors to meet with him, he estimated his indebtedness at $31,000.00, with assets comprising merchandise and securities in excess of $30,000.00 which encouraged him in the belief that if given time he could work out of his debts.

Having his books audited Mr. Ellzey was more surprised than his creditors to learn his indebtedness amounted to $50,117.98 exclusive of wages, rents, taxes, etc. The situation called for immediate action. A Creditors' Committee composed of

C. R. Angelo, Wilson and Company
C. A. Kepper, Gerde Newman and Co.
C. Pelias, Imperial Trading Co.
J. H. Warner, Kohlman Bros. and Sugarmann
E. P. Johnson, Amour and Company Ltd., Chairman,

was appointed to work out the best possible settlement for the creditors.

This committee met almost daily in the rooms of the New Orleans Credit Men's Association and on one occasion labored from 9:00 A. M. until 5:00 P. M. without intermission for lunch. Also devoted an entire Sunday to the taking of inventory in the twenty stores. When the matter was brought to the Association the merchandise was immediately insured. Mr. Ellzey had not protected his creditors in this manner when doing business with them.

Thru the co-operation of the Committee and larger creditors nineteen of the stores were sold to a syndicate owning chain stores in another city and who were seeking an outlet in New Orleans.

The sale was based upon prevailing jobbing prices and represented an outlay in excess of $28,000.00. The remaining store was (*Cont. on page* 47)

Here are the five co-operators

C. Pelias, President Imperial Trading Co.

C. A. Kepper, C. M. Gerder, Newman Co.

C. R. Angelo, C. M. Wilson & Co. of La.

J. H. Warner, C. M. Kohlman Bro., Sugarmann

E. P. Johnson, C. M. Armour & Co. Ltd.

Renaissance of industry looms in Oregon as big Bonneville Dam rises

By LEON BAKETEL
Financial Editor, Portland Oregonian.

"Harness me and I will bring to you untold wealth. I will give you joys you have never known before. I will line my banks with industries which will give employment to thousands and create payrolls which will astound you and the rest of the world. I will bring happiness to almost countless numbers of people and children. I will turn wheels and spindles. I will change raw materials, which you do not even know you possess, into finished products which will be sold in the markets of the world.

"Harness me, I tell you, and my dreams of lo, these thousands of years, will come true and my name and fame will be even more widespread than now."

Can a river talk? Can a river dream dreams?

"No," you say. But do not the rushing waters down through the channel and those lapping the shore tell you anything? Stop! Listen!

What are those waters saying?

It is an old, old story. The river has been dreaming dreams for ages. It is trying to make you hear its cry. It wants its dream to come true just as you and I. Here is what it is saying:

"Harness me!"

At last the thousands upon thousands of people who pass along its shores daily have heard and it is being harnessed right now. Its dream is coming true.

What am I talking about? Why, the Columbia river, mightiest of all North American rivers. Yes, the Columbia river and the Bonneville project. Nowhere in the wide world can you find a stream more beautiful or superior to the broad, rolling Columbia.

Close your eyes and let your mind

wander. See that stream? At first it doesn't seem to amount to much. But just follow it down those scores of miles and you will encounter beauty you never have or could see elsewhere. There are whirlpools, impassable spots, rapids, water as smooth and placid as a mill pond. There are great vessels, laden with cargo for points in every direction beyond the horizon. There are battleships, torpedo boats and craft flying the flag of almost every known nation on the face of the globe. Cities and towns and hamlets line its banks. Here and there are a few industries, but they are all too few.

True the great salmon canning business thrives along the Columbia for it is the home of this superb fish. Here it comes to spawn and then dash itself against the rocks to end its existence. From here the tiny fish head for the ocean, remain out there four years and, as truly as time itself, return to the breeding grounds to rid themselves of their spawn. Millions and millions of these pass up and down the river annually and millions of pounds are canned here and sent into all world markets.

Here and there in the river are islands, locks for steamers—sternwheelers—to get through, bound for up-river points beyond the rapids.

The Columbia is the largest river on this continent flowing into the Pacific ocean, and none is mightier, although some bear more commerce at present. This river was born of distinguished and beautiful parentage. In this matter of birth lies the reason for Bonneville and for the other hydroelectric, irrigation and navigation projects that have been built or are under construction along the broad channel of the river.

The Columbia is born anew and reared each day from an imposing array of mountains. Big mountains. High mountains. Clean mountains. Great peaks that are covered, the year 'round, by glacial snows. From the constant coolness and beauty of these hills spring the fingers of the Columbia, the fingers that unite, one by one, until they have combined into the stream which residents of the Pacific Northwest know and respect and love as the Columbia.

The start? It is away up beyond the Canadian border at Columbia lake. From this extend rivulets into glacial snows of the Rockies. Here is the beginning of the great river, 70 miles north of the United States boundary.

Hemmed in by the Rockies and the Selkirk mountains, it runs northwesterly toward the Arctic, thinks better of it and turns abruptly to parallel again the Sel-

kirk range. Presently it arrives at the lake country of British Columbia, settles its silt in a long series of narrow, attractive lakes and then becomes Yankee at the Northeastern corner of the State of Washington, from whence it wends its way down through that state and ultimately forms the boundary line between Washington and Oregon. And on it goes to empty into the Pacific at Astoria, Oregon.

So much for the river, its origin and mission.

Are you a Democrat? Then what follows probably will please you. If you are a Republican, as I am, you must doff your hat to the President of the United States, as I do, for it was he who heard, through the mouths of others, the cry of this wild, rushing, beautiful river to "harness me."

After years of silence, during which there was hardly a thought given by the majority to the tremendous waste of power rushing by their door steps, the people finally awoke to the need of cheaper electricity; that is, electricity at lower rates than private utilities were charging them. All of a sudden they seemed to hear, or at least sense, the plea of "Old Man River." Chanting at first, the chant at last broke into a mighty chorus for development of the Columbia which would give to this unsurpassed commonwealth, and the people of Southwestern Washington, what they wanted—electricity for all purposes at rates all could afford to pay.

Surveys were made—numbers of them—and finally a site was chosen, some 42 miles east of Portland. It was at the spot known as Bonneville, site of the famous Bonneville state fish

Five Tennessee Rivers

Note this comparison of potential power in these great watersheds:

Boulder Dam	**1,200,000**
Niagara Falls	**1,250,000**
St. Lawrence	**1,440,000**
All Canadian Rivers	**3,000,000**
Tennessee River	**4,000,000**
Columbia River	**21,000,000**

It will be noted that the giant Columbia is five times greater than its nearest rival.

"Harness me and I will bring you wealth. I will line my banks with industries which will give employment to thousands and create payrolls which will astound you and the rest of the world."

hatchery. There was an island or two in the river. Railroads ran along the shores of the river on both sides and the great Columbia River highway, most scenic and beautiful drive in all the world, skirted the bank on the Oregon side for 50 or 60 miles. These were obstacles, but by no means insurmountable. The tracks and highway could be moved and so could the islands if necessary.

Then came plans for raising money to dam the river, build locks and install units to develop electricity. But here was a stumbling block which nearly floored the boosters. Where was the money to come from? Could a bond issue be disposed of, or a stock company formed and shares sold?

Franklin D. Roosevelt had been swept into the presidency by a terrific landslide of ballots. He favored public works to relieve unemployment. He was already on record as favoring the Tennessee Valley project. Several prominent people laid the matter before him, as did Chambers of Commerce, state officials and others, but they seemed to get nowhere fast. Then Charles L. McNary, senior Senator from Oregon and Republican leader in the Senate, went to the President. He talked to him only a few minutes when the executive whispered in his ear:

"I'll go you for $31,000,000," or words to that effect.

Yes, it was the President who had heard the wail of the Columbia to be harnessed and he answered that cry.

When the word flashed to the people of Oregon, they went wild and held a never-to-be-forgotten celebration.

"Bonneville or bust" was changed to "Bonneville at last."

Returning from his fishing cruise and visit to Honolulu, President Roosevelt came directly to Portland, landing from his cruiser in the heart of downtown Portland on the Willamette river, (pronounced as if spelled Will-lam-it, with accent on the second syllable.) After a parade, he was taken to Bonneville.

Here he inspected the marvelous transformation which had taken place, and, instead of a lock sufficient to permit ordinary river boats to pass up stream, he ordered a deep-sea lock, which would permit almost any of the great cargo carriers of the world to pass through into the upper reaches. As a matter of fact, it will be the largest lift lock in the world. One tow boat with six barges of 1400 tons each, a total of 8400 tons, can be passed through the lock in two lockages requiring a total of 45 minutes. This cargo is 2.5 times that carried by the average freight train.

By the President's orders, an additional $1,450,000 was provided by the government to change the lock into a deep-sea one, so that the total cost of Bonneville dam will be $32,450,000.

Already the work (*Cont. on page* 32)

Successful credit systems used by wholesale grocers

The common denominator of all is simplicity. No elaborate equipment is needed. Forms are simple in outline, standard in size, easy to handle and file. Personnel is well-trained.

But any system is only as effective as the intelligence with which it is used.

By H. P. PRESTON

SOME There used to be a slang phrase about "knowing your groceries." I was never quite sure what this meant, but I now wonder if it didn't originate with some one who had an inkling of the credit department's work in a wholesale grocery house. For it may be said that credit executives know their grocers—thousands of them—and know them intimately from the all-important financial angle.

Admittedly a contributing factor in this is the long tenure of service enjoyed by many of the major executives. Coincident with this, however, is the development of simple, yet accurate, methods for assembling and keeping readily available all pertinent data about each account.

The system described in this article is a composite, rather than an individual one. It is based on the best current practise of leading Eastern and Mid-Western houses who have cooperated with us in assembling the data.

Generally, the first step with a new account is a salesman's report. All houses agree on this. The report, of course, may mean much or little. In the grocery trade it is usually a quite valuable indication of standing due perhaps to the training which salesmen in this field have received in using their eyes and ears.

Naturally, the salesman asks his new customer questions. Since, however, as every credit executive knows, answers may be prejudiced, the salesman is expected to be observant. Some of the points he is expected to be accurate on are things such as the exact name of the individual owner and the trade style under which he conducts his business. Owner's home address is also important in larger cities and the matter of whom present owner succeeds.

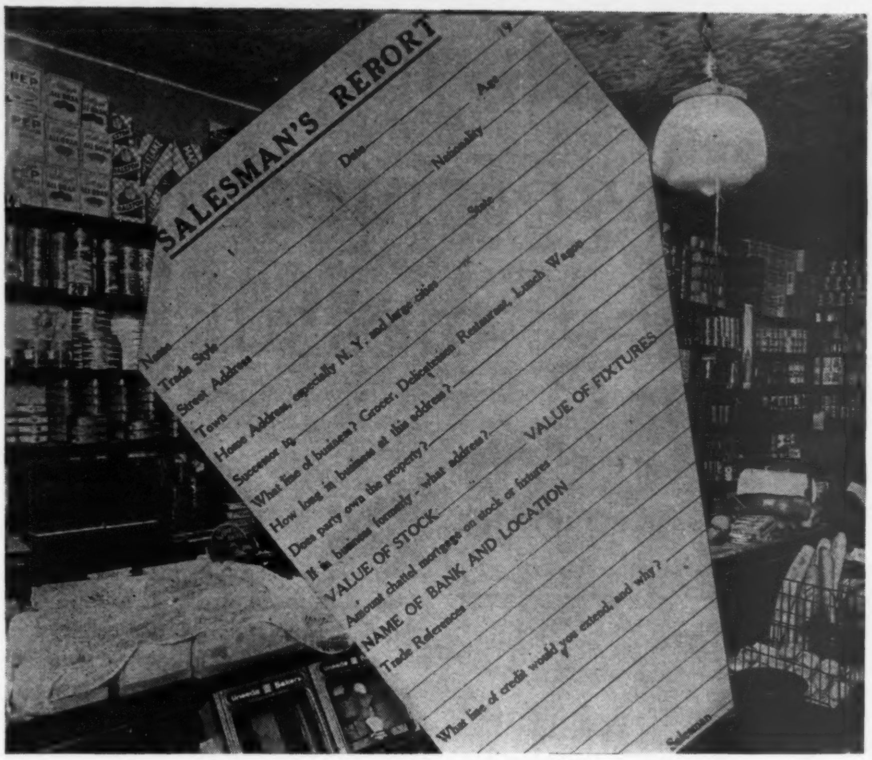
Of course trade references are requested. In the case of a grocery store or delicatessen the salesman knows, by looking at the shelves, with whom the owner deals. If the "Daylight," "White Pink," and "Regal Red" brands are all displayed, yet only two are given as references, the salesman notes this fact and the credit department promptly gets in touch with the house that was withheld. Irrespective of this, many companies make it a practise to survey the entire trade rather than place too much dependence on references.

The average retail grocery shop lasts about two years under the same ownership. Change in trade style and actual ownership are usually rapid and constant. This could mean constant refiling and unlimited possibilities for errors. To guard against this, some companies have adopted the practise of filing all accounts by Town and Street. Thus, if the "Gold Eagle" suddenly becomes the "Blue Bird Groceteria," 1810 Smith Street, Johnstown, reference to the street index quickly shows former trade name, details of ownership, etc. This system may be adapted for a visible principle if desired. The index card gives an accurate record of all owners for a period of years and, if desired, may show other data that is relevant.

Orders are checked through various commercial channels and through special grocery trade affiliations. All information received about an account is placed upon a special form—generally simple and about $8\frac{1}{2}$x11 in size. This form shows customers' name, the style under which he conducts his business, address, shipping point and business—whether grocery, delicatessen, restaurant or lunch wagon. Also it shows to whom the new customer is a successor and how much the predecessor owes the Company. Salesman's name, ledger sheet and index card numbers are indicated.

Spaces are provided for showing how quickly the first order was checked, its amount and by whom checked. There is a space to indicate if a financial statement was requested and, if so, when it was received. Likewise whether a guarantee was necessary name of guarantor and amount. References are, of course, shown.

The individual accounts of a wholesale grocery house may run into the thousands. The larger houses have 25,000 or more separate accounts. This means a flood of detail work, especially when it is remembered that the largest percentage of orders are for amounts of $50 or less. It would be impossible for any one executive to take care of this



mountain of detail. Consequently, a break-down is made whereby each credit man is responsible for so many accounts or the business of so many salesmen.

There is no fixed rule for either the number of accounts or salesmen which one man can handle. Most companies try to equalize the work as far as possible. Thus one executive will be responsible for, say, the accounts of 50 salesmen, while another will take care of only 40. But the detail work involved will be approximately the same. The grocery trade has a somewhat special problem of early morning rush orders which should be en route before most offices are open. To meet this, part of the staff comes earlier and leaves earlier each day.

This necessity creates a minor problem which always arises when very early or very late work is required of a staff. Shall each executive take turns at starting first and leaving first, or shall certain ones be given this as a full time assignment? In theory, sharing is the better way. In practise, it is usually found that some people prefer the earlier hours and wish to have them permanently. Perhaps it may not be out of order to mention that experience in all lines indicates that permanently assigned hours—no matter what they may be—are more satisfactory, in the long run, to all concerned. A weekly or monthly breaking up of rest habits has unfortunate effects on morale and production.

To return to our new grocery account. If such an account is some one without former trade experience terms are generally 75% cash with the first order, the balance in ten days. Thereafter terms are usually established on a weekly or ten day basis. Well rated and established companies received the usual terms of 1% 10 days, net 30.

Delinquent accounts are carefully watched and, when necessary, followed up with precision and promptness. There is little variation in collection methods. While some fixed form letters have been found highly successful, especially with certain classes of trade, there is generally an effort made to break down the cases into individual instances and make the form letter fit the case. There is constant and close cooperation between credit and sales department in the matter of collections. Each salesman is held more or less responsible for collecting his delinquent accounts and his efforts supplement the collection routine of the credit department.

A method of handling large accounts which impressed us as simple and practical is as follows:

Each day the bookkeeping department, while posting, makes a separate memorandum of every order exceeding $500 received during the day. These orders are then listed, together with a memorandum of the day's receipts and sales, and sent to the Credit Manager. A special tickler file is maintained by date and all large orders are filed therein a day or two past the day when payment is due. Automatically, on this date, these accounts are called to the Credit Manager's attention. If unpaid, immediate action can be taken. There is small chance of any such accounts being overlooked or permitted to run on.

Bad checks and judgments are matters that affect a man's credit standing. During the past two or three years there has been, in some quarters, a tendency to laugh about "rubber checks," and the stigma once attached to giving out a check without funds to cover has been considerably softened even though the legal penalty remains. Scarcely twenty years ago, one who issued a worthless check more or less signed his own exile from the society of honest people. His credit standing was seriously affected.

Today, members of the grocery trade still believe a worthless check is very important and they follow-up such customers quickly and vigorously. In one company, a daily list of bad checks, showing name of issuer, amount, salesman and reason for return of check, is sent to the Credit Manager. Copies are sent to all responsible associates and each salesman concerned is personally notified. Immediate and determined effort is made to collect the amount at once.

Of course the credit executive wants to know about judgments, suits and mortgages. One highly experienced executive makes it a practise to have such information entered in large red letters on the ledger sheet of an account. The same marking stares one in the face on all credit files, etc., saying emphatically HOLD ORDER. As a further precaution, blank ledger sheets, with the red warning, are made out even for accounts not among this firm's customers. If, subsequently, as often happens, such accounts seek credit, the company has this information at its fingertips.

The common denominator of all systems observed was simplicity. No elaborate equipment seems desirable. Forms are simple in outline and standard in size, for easy filing and handling. In general, the personnels of the departments are well trained and at least one house makes it a point to have secretaries who are able to answer routine questions on the telephone without using executive time. All of the executives emphasized that any system, as such, is only as effective as the intelligence with which it is used.

Congress seems inclined to more study on most of big impending measures

By HENRY D. RALPH,
Political Correspondent

Inflationists stalemated by row between bonus boosters * * * Administration's bank measure draws fire in many quarters * * * Business men gain support in their opposition to 30-hour week plan of A.F. of L.

After a burst of speed in its first few weeks, Congress settled down to a slower pace in February, and while committees were busy with important measures most actions were tempered by a deliberative attitude which was lacking in the emergency sessions of the two preceding years.

Two important Administration measures were rushed through, continuing the Reconstruction Finance Corporation and authorizing the sale of "baby bonds" direct to the public, but other bills were given more lengthy consideration and even the relief bill, which had been branded as an emergency measure, struck a snag in the Senate which delayed it for weeks.

Most important to the financial world of the various Administration proposals made in February are the omnibus banking bill, the bill to continue lending by the Home Owners Loan Corporation, the plan to regulate public utility holding companies, and the social insurance proposals.

Discussion of currency inflation or other monetary changes was held in abeyance awaiting the decision of the Supreme Court in the gold clause cases. Meanwhile the Administration prepared for any legislative or executive action which might be called for by the decision and used the exchange stabilization fund to maintain the dollar's ratio to foreign currencies. The inflationary bloc which formed in Congress early in the session was composed of so many factions that its influence was not expected to be dominant, although the threat of inflation probably will remain throughout the session unless prices and business activity increase considerably. Inflationists who hitched their hopes to the movement to pay the veterans' adjusted compensation at once through the Patman bill for issuing $2,000,000,000 in greenbacks found themselves deserted by the American Legion which swung its support to the Vinson bill which makes no provision for securing the money. Between these proposals for inflation of the currency and inflation of the interest-bearing public debt the bonus question became stalemated, and meanwhile the Administration quietly attempted to build up support for the defeat of either bill.

Under the spur of organized labor the Senate committee on labor began hearings on the Black-Connery 30-hour week bill without waiting for President Roosevelt's recommendations for extending and modifying the activities of the National Recovery Administration after the statutory expiration date of June 16. Opposed by the Administration, business men, and farm interests, the 30-hour week bill was not expected to pass, although it appeared that the price of its defeat might be a mandate for a continual program of reducing hours under codes in the new NRA law. The report of the National Industrial Recovery Board on its hearing on employment policies and results under codes was expected to be a heavy factor in the final decision on limiting the work week.

The bank bill submitted to Congress by an interdepartmental committee was much more sweeping than observers had been lead to believe it would be. An omnibus measure, it combines amendments to the Federal Deposit Insurance Corporation law, changes in the Federal Reserve System, and a group of technical amendments to several banking statutes. Both extreme radicals and extreme conservatives on financial matters characterize the bill as the first step toward a central bank under government control, and therefore, paradoxically, it may get support from both extremes, as advocates of an out-and-out central bank may accept this as being all they can hope to secure at this time while conservatives may let it go through to prevent the threat of more radical proposals. However, the banking committees of both House and Senate were inclined to move slowly on the measure as there is no necessity for speed, except that part of the FDIC section is to supplant provisions of existing law which take effect July 1.

This Deposit Insurance section is not expected to meet a great deal of effective opposition. It will alter the permanent insurance plan by continuing the present temporary limit of $5,000 for insurance of any single account, whereas the law now provides that after July 1 the limit will be $10,000. This is a concession to the opponents of deposit guaranty, but statistics have been advanced to show that the $5,000 limit insures 98 per cent of the bank accounts in the country. For the present unlimited liability for assessments for the insurance

fund, the bill proposes to substitute a flat annual premium of 1/12 of one per cent of the total deposits of all banks, including the uninsured portions of accounts larger than $5,000. The bill does not, as had been anticipated, give the Insurance Corporation authority to fix the interest rates on time deposits of insured banks not members of the Federal Reserve System, and the only additional control the Corporation will have on other banks consists of measures considered necessary to safeguard the deposits, such as requirements that the banks maintain adequate fidelity and burglary insurance. There are a number of other comparatively minor amendments to the FDIC law, chiefly of a technical or clarifying nature.

It is the section on the Federal Reserve System which is causing the most controversy over the omnibus bank bill. As submitted to Congress the bill would take away much of the independence of the Reserve Banks and place them under the control of the Reserve Board, while the Board in turn would be dominated very largely by the President and the Secretary of the Treasury. Control of the Board will be secured through provisions for compulsory retirement of members at the age of 70; the provision permitting selection of the Governor without regard to the restriction that only one Board member may come from a single Reserve District; and by the provision that the Governor shall cease to be a member of the Board when the President no longer designates him as Governor. The provision that appointees to the Reserve Board shall be qualified by education or experience to participate in the formulation of national economic and monetary policies is looked upon by some as a move to take control of the Reserve System out of the hands of bankers and give it to professors and theorists.

The changes proposed for the Reserve Banks would abolish the position of Federal Reserve Agent and combine the offices of governor and chairman of the board of directors, and would also require that the election of governors and vice governors be subject to approval of the Reserve Board. Another amendment carries out a new administrative policy of limiting to not more than six consecutive years the tenure of Class C directors of the Reserve Banks, the directors subject to Reserve Board approval. This is being defended as insuring rotation of directorates and representation of various business interests, and attacked as imposing a penalty on experience and giving Washington more control in the Bank's operations.

Of greatest importance to credit conditions is the provision which would abolish the present method of open market operations in the Reserve System and place control of government security purchases in a committee composed of the Governor and two members of the Reserve Board and two governors of Reserve Banks. This committee would thus be dominated by the prevailing policy in the Reserve Board. Its decisions as to open market operations and discount rates and policies would be binding on Reserve Banks. Other provisions relating to credit expansion would make any sound asset of a member bank eligible for discount at a Reserve Bank and would repeal the collateral requirements for Federal Reserve notes.

Much controversy is in store for the proposal in the omnibus bank bill to permit reserve member banks to make loans on real estate up to 60 per cent of its value for 3 years and up to 75 per cent if completely amortized within 20 years. While this would permit commercial banks to participate in the usually profitable mortgage field and would increase credit available for home financing, it is opposed on the ground that it would permit bank assets to become frozen and cause dumping of property on the market in times when banks need great liquidity.

A great many changes in the government's home financing program are contemplated in the bill dealing with the Home Owners Loan Corporation and the Federal Housing Administration. Its speedy passage was predicted because many Congressmen were under pressure from their constituents for revival of the lending activities of HOLC, and the bill carried authorization for this agency to issue an additional $1,500,000,000 of bonds for the purpose of refinancing distress mortgages. Mingled with the desire to continue the Home Loan program was considerable criticism of certain HOLC policies and activities, and there were charges of favoritism and politics and assertions that funds were used to aid banks rather than individual home owners, but these criticisms were not expected to delay passage of the bill.

President Roosevelt recently described his job at the White House as that of a quarter-back calling signals for the governmental team. Judging from this report from Washington, certain members of "the team" seem to be inclined to hold extended "huddles" over some of the "quarter-back's" signals.

In addition to expanding the lending power of the HOLC, the bill makes many changes in the home loan act and the federal housing act, the most important of which are designed to strengthen the Federal Savings and Loan System and to correct oversights and make improvements in the operation of the Home Loan Bank System. These include amendments to make the terms of long-term mortgages coincide with those insured by the Federal Housing Administration; to make the organization and operation of the home loan system more comparable with (*Cont. on page* 40)

Past-due problem can grow if sales as well as collections are not diligently kept going

by R. F. GROSSKOPF,
Nutz and Grosskopf,
Indianapolis, Indiana.

Few salesmen realize the necessity of keeping accounts active from a sales point as well as that of collection. An interesting lesson can be obtained from diligent study of past due portions of accounts receivable accounts.

It is a well-established fact that if the total of a group of statements is taken and the total of past due amounts on these statements is taken therefrom, the remainder will be the net result of the transactions made in the period elapsing between statement times which usually is 30 days or one month.

Collections vs purchases may have a direct bearing on the decrease or increase of your customer total indebtedness to you, but past due portions should also be a partial factor in determining further credit.

To illustrate how it is possible for a customer to purchase less than he pays and still throw a yet bigger part of his account into the past due division than he has heretofore had and continue to owe less, let us look at the table.

You can see in the above, an example of payments and purchases of a man who owed $120.00 all of which was past due. His next purchase of $20.00 and payment of exactly the same amount did not increase or decrease his indebtedness, but did decrease the amount of past due indebtedness. His second purchase of $20.00 and payment of $25.00 decrease both his total and past due amounts owing. A larger third purchase with an equal payment certainly did make his balance look better as he had only $75.00 out of $115.00 which was past due.

We will not state here how long past due. All items are considered in arrears whether only 15 or 90 days over 30 days but it can easily be seen how a decline in purchasing affects the accounts.

Where the buyer owed $115.00 with $75.00 over due, his decrease of $30.00 in amount bought from that of previous period raised his past due portion to $100.00 out of $110.00 owing. Such an account shows very little headway as the decrease in total owing is only $10.00 less than the original amount.

It may suffice to say that the customer and more especially the jobber in this instance would have been much better satisfied if no more goods had been sold than the amount which could be used

Purchases	Payment	Balance	Past Due
		120.00	120.00
20.00	20.00	120.00	100.00
20.00	25.00	115.00	95.00
40.00	40.00	115.00	75.00
10.00	15.00	110.00	100.00

Continuous attention keeps the "whiskers" off "past-due" accounts.

and paid for from salesman's call to call.

Another phase of this is the keeping active of the account in order to prevent an account being outlawed. A cash sale would not have any bearing on past due amounts of course, and we therefore insist on charging new purchases and applying money paid on the old balances.

"How we do it"

An outline of a successful credit system in the wholesale clothing field.

by FRED E. KRISS, Credit Manager,

The Middishade Co., Philadelphia, Pa.

An order is received in the house either through contact of salesmen, or direct through advertising, or other medium.

If through the salesman, it is acknowledged to salesman and to customer. If through any other medium, the salesman is notified besides acknowledgment to customer.

Order is then recorded on sales record. If an old account and order is a seasonal one, it is compared with opening order of previous season and total sales for same period.

Order is recorded in money values and then classified into different classes, such as we feature. If a new account, information as to credit worthiness is procured through the various agencies at our disposal—Dun and Bradstreet, Inc., and/or American Interchange and Credit Bureau, for financial statement purposes, as well as antecedents—National Association of Credit Men, Credit Interchange Service for manner of payments and to determine the particular markets where credit is procured—The United States Fidelity and Guaranty attorney reports for information as to the character and habits of principals, lawsuits, relationship with landlord, conditions in particular localities—The Philadelphia Clothing and Furnishings Manufacturers Credit Bureau reports for names of other people interested, for use in personal contact with other credit men interested.

Understand that all these reports are not procured in each instance, but there are certain instances where certain agencies excel in localities and under certain circumstances. If sufficient information cannot be procured through these sources, our Credit Department writes to customer direct and attempts to procure the information in this manner.

The order is either accepted and placed in process so as to provide for the customer's requirements, or the order is turned down for credit. In either instance the salesman is notified, in one way by receiving copies of Credit Department letters sent to customers and also by form sent to salesman, giving specific information, such as:

"Please take note that the order for
..
has been placed in work
(or)
is held in abeyance awaiting completion of credit file.
Can you give us any information relative to ....
If so, do so at once."

In this manner the salesman is always informed as to the standing of his customer. If an order or inquiry is received through mail or through other source, other than through salesman, he receives a notice:

"Please note that we have received an order/inquiry of .... amounting to $...................................., and have placed a temporary limit of $................................ until our credit file has been completed."

This often serves as a guide to our salesman for additional immediate delivery orders.

As noted above, a temporary line of credit is assigned until the Credit Department has completed its investigation and if after it has been completed the line is revised either upward or curtailed, or the original line is considered as standing unchanged and, of course, the salesman is notified.

If a credit limit is assigned, the ledger sheet is so marked and the customer may continue to purchase and receive merchandise without reference to head of Credit Department on that account up to the amount of limit, as long as no invoices against the account remain unpaid after maturity date.

If, however, an additional order is received of an account which is considered past due date, this is immediately brought to the head of the Credit Department and disposed of in accordance with his judgment.

Statements are mailed for comparison the first of every month showing previous balance and item for item for charges of the current month. If there is no previous balance, these statements are sent out at once. If, however, these accounts are being followed up for previous shipments, these are attached to tickler and are attached to the next letter to account to be mailed in accordance with our follow-up system.

Carbon copies of these first statements serve as follow-up guide for Collection Department and are kept in front of ledger card at all times, showing next date for follow-up. Copies of collection letters are kept in calendar files in same date as marked on follow-up guide in front of ledger card.

Salesmen receive copies of all Collection and Credit Department letters and are thus conversant with history of the account.

The debit section of our ledger card is divided into two sections and in the first column are entered all charges representing shipments which bear our branded labels. The second debit column bears the charges representing shipments to our other merchant customers.

This is done because two different sets of statements are used. We have found out that if the same statements were used for both sets of merchants, our advertised line would suffer through abuses which sometime occur. The combining of all accounts in one ledger tray is done so that all accounts are centralized rather than have two sets of ledgers.

If the account proves undesirable, the salesman is notified upon a notice used for such purposes. It reads:

"Please take note that the account of ....
has proven undesirable for the reason ....
and ask that you refrain from soliciting any further business."

This notice is made on four copies (1) to Sales Department; (2) to salesman; (3) for Advertising Department so as to remove from mailing list, etc., to notify Advertising (*Cont. on page* 39)

Real cost of bankruptcy

Statistics for the year ending June 30, 1934 show the amazing loss of 95 cents out of each dollar of credit accepted before the expensive court machinery starts gnawing at the assets.

By DR. LOUIS P. STARKWEATHER, Professor of Finance, New York University, and

FRANK L. VALENTA, Industrial and Financial Consultant, New York City.

Less than four cents on the dollar —a new low in bankruptcy returns to the creditor! Statistics on bankruptcies are now available for the year ended June 30, 1934. Business men and credit managers will probably be amazed at the staggering losses which have taken place. Total liabilities involved in bankruptcy in 1934 aggregated $1,589,816,000, representing over 63,000 cases. Over 58% of these cases represented bankrupts with no realizable assets whatsoever. The remaining cases provided gross realizable assets of $81,501,000, or approximately five cents for each dollar of total liabilities for the 63,000 cases. Before creditors received their final distributions, over 22% of the realized assets were paid out for the expense of administration and liquidation.

This net return to creditors was 3.87 cents for each dollar of original credit accepted.

Creditors complain of the high cost of bankruptcy administration and liquidation, feeling that the expense of more than 1 cent to collect less than 4 cents is excessive. Perhaps they are justified in this view. But what is the *real* cost of bankruptcy? It is certainly not the 1 cent cost for collecting less than 4 cents on the dollar, but the loss of 95 cents for each dollar of original credit extended! Furthermore, these dollar figures take no account of the staggering invisible cost represented by the loss of time, business efficiency, and the demoralizing effect upon the whole structure of credit itself. Formerly, the threat of bankruptcy belonged to the creditor. Today, it belongs to the debtor, for creditors who exercise their rights to force bankruptcy have little to gain, but much to lose.

It is time for business men and creditors to take a realistic view of the problem of bankruptcy as it exists today. "From stigma to honor" aptly describes the trend in bankruptcy since 1920. Formerly, bankruptcy represented a stigma upon the character and reputation of business men. Today, it appears to be part of the accepted routine of settling debts, and does not prevent honorable re-entry into business. This aspect of bankruptcy is of major importance to the business and financial world, but unfortunately has received little thought or attention.

Viewed realistically, the real cost of bankruptcy divides itself into two major problems: (1) the cost represented by the terrific losses sustained before bankruptcy is reached; and (2) the excessive cost of liquidating and realizing on the bankrupts' assets.

TABLE I: "PROFIT AND LOSS STATEMENT"

Bankruptcy Returns and Expenses—Fiscal Year Ended June 30, 1934

			Cents per dollar of liabilities
Total Credit Involved, as represented by Total Liabilities of Bankrupts		$1,589,816,419	
		Cents per $ assets	
Gross Realized Assets	$81,500,601		5.13
Deduct:			
Receivers' and Trustees' Fees	2,500,788	3.07	
Attorneys for Receivers and Trustees, Fees	4,921,262	6.04	
Attorneys for Creditors and Bankrupts, Fees	1,819,551	2.21	
Referees' Commissions	867,314	1.06	
Referees' Expenses	1,048,759	1.29	
Auctioneers' Fees and Expenses	553,603	.68	
Appraisers' Fees and Expenses	538,891	.66	
All Other Expenses	5,967,255	7.32	
Total Expenses	$18,217,423	22.35	1.15
Balance	$63,283,178	77.65	3.98
Other Payments	1,703,542	2.09	.11
Paid to Creditors	$61,579,636	75.56	3.87
"Net Loss" to Creditors		$1,528,236,783	

The general impression that bankruptcies decline during a period of prosperity and increase in a period of depression is not borne out by a study of bankruptcy statistics for the past fifteen years. Table II shows a steady and continuous increase in the number of bankruptcy cases from approximately 16,000 in 1920 to a peak of 67,000 in 1933, and explains in part the reasons why bankruptcy is today regarded as "an honorable practice." It is also significant that the proportion of cases having no assets has remained practically unchanged. In spite of the "great pros-

perity," bankruptcy cases increased.

Total liabilities of all bankruptcies in the fifteen years 1920-1934 inclusive reached the amazing total of over 12 billion dollars, while the total value of realized assets amounted only to a little more than one billion dollars. During this period, returns to creditors have shown a constant decline. In 1921, they received 12.56 cents per dollar of liabilities, whereas in 1934 they received a record low return of 3.87 cents on the dollar. This decline in return per dollar to creditors has not been due to increased costs of liquidation, for the expense of liquidation per dollar of realized assets has remained practically constant, averaging about 20 cents per dollar of realized assets. Instead, it appears that credit methods and practice have failed to keep pace with the tremendous increase in the use of credit in this country.

Table II: A 15 year record of bankruptcies

Yrs. June 30	Total No. of cases	No. of no asset cases	Ratio no asset cases to total
1920	15,622	9,000	57.6%
1921	15,200	8,480	55.8
1922	22,517	10,082	44.8
1923	34,401	17,758	51.6
1924	41,649	22,316	53.6
1925	44,440	23,694	53.3
1926	47,307	26,913	56.9
1927	48,269	28,062	58.1
1928	53,592	30,405	56.7
1929	57,039	35,572	62.4
1930	60,568	38,116	63.0
1931	60,322	30,507	63.8
1932	63,502	38,760	61.0
1933	67,031	38,181	57.0
1934	63,482	37,099	58.4
Total—1920-1934—15 years	694,921	402,945	—
Average per year, 1920-34	46,328	26,836	58.1%

Bankruptcies increased approximately fourfold from 1920 to 1934, whereas total liabilities involved increased approximately eight times. Liabilities per case in 1920 amounted to about $13,000 per case, whereas in 1929 they reached $15,000 and in 1934 to $25,000 per case. Table III deserves careful study, for there is altogether too little appreciation of the vital and serious effects of bankruptcy as it exists today.

Table III: Liabilities, assets realized, payments to creditors, and expense of liquidation in bankruptcy

15 years—1920 to 1934

Fiscal years ended June 30	Total liab. (000 omitted)	Tot. assets realized (000 omitted)	Tot. pd. to creditors (000 omitted)	Exp. of liquid. (000 omitted)	¢ pd. per $ of liab. or % of liab. pd.	¢ of liquid. exp. per $ of total assets realized
1920	$201,626	$29,599	$22,223	$6,355	11.02	21.47
1921	171,284	27,278	21,511	4,835	12.56	17.72
1922	255,614	37,900	29,434	7,357	11.52	19.41
1923	486,401	61,861	47,998	12,041	9.87	19.66
1924	663,645	71,587	54,523	15,306	8.22	21.38
1925	747,523	85,349	63,528	18,522	8.50	21.70
1926	806,313	93,018	70,765	19,842	8.78	21.33
1927	885,557	96,559	72,094	21,342	8.14	22.10
1928	830,789	90,540	66,693	21,512	8.03	23.76
1929	883,606	88,964	66,323	19,949	7.51	22.42
1930	948,258	106,245	81,827	22,220	8.63	20.91
1931	1,008,654	89,535	67,620	19,777	6.70	22.09
1932	1,260,230	85,577	63,028	18,683	5.00	21.83
1933	1,627,066	115,789	87,282	24,109	5.36	20.82
1934	1,589,816	81,501	61,580	18,217	3.87	22.35
Totals—1920-1934, 15 years	12,366,382	1,161,302	876,429	250,067		
Average per year—1920-34	824,425	77,420	58,429	16,671	7.08	21.53

The second phase of the cost of bankruptcy is much better appreciated by business men and creditors. In the last fifteen years, it has cost, on the average, roughly 20 cents per dollar of realized assets to effect liquidation in bankruptcy. In order to present an analysis of fees and expenses of bankruptcy administration for the fiscal year 1934 in an effective manner, data for this period has been prepared in the form of a "profit and loss" statement in Table I.

Of the total credit involved, amounting to $1,589,816,419, creditors suffered a loss of $1,528,236,783 or 96.13 cents on the dollar. They received only 3.87 cents for each dollar of original credit extended. Expenses, from this standpoint, may seem somewhat trivial. However, it is not fair to relate bankruptcy expenses to the original liability involved. The creditor is fully justified in considering these expenses in relation to his net realized return, having already lost 96% of his original investment. Table I presents the various elements of costs in bankruptcy administration, and the proportion of each item of expense to gross realized assets.

The largest single cost, represented by the fees of attorneys for receivers and trustees, amounted to $4,921,262, or 6.04 cents per dollar of gross realized assets. On the other hand, attorneys fees for creditors and bankrupts took 2.21 cents out of every dollar of realized assets. Receivers' and Trustees' fees amounted to $2,500,788, or 3.07 cents per dollar of assets. Referees' commission and expenses totaled over $1,900,000, or 2.35 cents per dollar of assets. All other expenses amounted to 7.32 cents on dollar, while auctioneers' and appraisers' fees and expenses totaled 1.34 cents. For each $1.00 realized, total expense of liquidation required 22.35 cents.

The creditors having lost already 96% of their original investment, are now faced with a collection expense of 25% in order to salvage the remnants.

What can be done to reduce this tremendous annual loss from bankruptcy and business failure. Although credit men in general and especially the members of the National Association of Credit Men have sought to meet this problem through their efforts to revise and improve the laws governing bankruptcy and corporate reorganization practice, it is quite evident that these efforts must be continued with increasing vigor to the end that these great credit losses may be reduced to (*Cont. on page* 21)

STATEMENT BY JUDICIAL DISTRICTS OF BANKRUPTCY PROCEEDINGS FILED, CONCLUDED, AND PENDING, ALSO GROSS AMOUNTS REALIZED AND CERTAIN SPECIFIED CLASSES OF PAYMENTS THEREFROM

Judicial districts	Cases pending at close of 1933	Cases filed in 1934	Cases concluded in 1934	Cases pending at close of 1934	Gross assets realized (less expenses conducting business)	Fees, expenses of administration	Paid-on-account exemptions	Paid secured creditors	Paid priority creditors	Paid unsecured creditors	Other payments, balances
Alabama:											
Northern	2,220	1,956	1,765	2,411	$2,782,631	$143,328	$1,410	$2,152,811	$67,283	$402,254	$15,543
Middle	280	188	211	257	100,195	26,896	6,940	26,526	3,946	28,735	7,149
Southern	144	199	201	142	481,433	79,608	768	288,997	3,215	106,491	2,352
Alaska:											
First division	15	6	13	8	2,582	1,179		186		1,215	
Second division	2	0	1	1							
Third division	4	0	1	3	10	10					
Fourth division	5	1	3	3	9,198	1,988		22		7,188	
Arizona	102	94	55	141	104,530	22,985	43	26,764	4,475	50,029	232
Arkansas:											
Eastern	340	181	246	275	409,878	88,762	30,109	35,393	27,020	225,707	2,884
Western	129	128	138	119	153,082	31,888	2,431	30,858	11,291	75,709	904
California:											
Northern	2,526	2,082	1,539	3,069	1,260,190	260,805	738	259,867	416,419	312,568	9,791
Southern	2,412	2,624	2,552	2,484	3,537,841	858,882	6,562	939,121	390,271	1,265,214	7,789
Colorado	435	378	418	395	602,124	64,082	802	282,343	45,187	209,421	286
Connecticut	2,281	959	1,581	1,659	909,555	313,052	26	28,445	163,296	383,674	21,059
Delaware	91	83	68	106	1,606,790	136,205		557,565	672,881	240,137	
District of Columbia	153	194	203	144	139,409	48,474	772	19,166	22,342	48,612	41
Florida:											
Northern	46	19	39	26	226,280	21,354	4,050	175,048	4,276	21,513	37
Southern	414	212	368	258	1,119,161	220,121	2,965	293,405	213,884	374,770	14,013
Georgia:											
Northern	1,004	1,439	1,472	971	207,462	58,800	1,329	28,348	36,080	82,434	467
Middle	341	415	520	236	263,676	73,893	6,986	41,071	37,543	103,937	244
Southern	138	233	276	95	57,896	24,552	5,090	4,580	9,515	13,955	201
Hawaii	107	156	169	94	50,869	21,346		6,007	12,849	10,522	142
Idaho	120	109	104	125	87,194	29,088		3,552	12,041	42,467	43
Illinois:											
Northern [1]	5,761	2,892	3,606	5,047	4,983,535	1,348,848	43,935	668,316	368,873	2,363,475	190,084
Eastern	461	376	503	334	379,010	106,929	9,497	64,430	30,882	165,320	1,952
Southern	1,148	754	792	1,110	692,428	147,984	24,355	322,852	39,230	153,863	4,142
Indiana:											
Northern	444	358	416	386	483,857	124,010	6,564	150,568	45,220	157,492	
Southern	283	376	441	218	2,164,371	337,691	16,385	680,504	196,838	795,313	137,637
Iowa:											
Northern	468	322	379	411	527,581	90,699	1,141	308,350	48,781	76,580	2,028
Southern	365	482	519	328	287,325	43,464	989	150,702	40,356	51,489	322
Kansas	1,205	719	486	1,438	280,884	55,306		49,051	20,636	155,812	77
Kentucky:											
Eastern	334	476	509	301	320,017	56,332	8,092	164,340	34,926	55,240	1,073
Western	1,531	773	966	1,338	782,486	127,738	8,881	324,785	171,088	148,927	1,065
Louisiana:											
Eastern	295	291	322	264	188,175	70,365	103	68,019	30,044	18,826	815
Western	305	255	300	260	678,929	61,518	3,500	480,851	85,174	47,885	
Maine	394	602	703	293	292,137	66,305	65	43,764	26,432	145,750	9,818
Maryland	591	431	569	453	630,803	168,079	9,095	99,438	80,710	271,871	1,608
Massachusetts	2,177	2,153	1,924	2,406	3,441,074	645,405	45	1,312,608	628,300	844,837	9,877
Michigan:											
Eastern	1,765	2,649	2,365	2,049	1,345,475	403,797	8,919	6,711	59,270	812,448	54,328
Western	208	489	541	156	831,829	147,439	7,588	442,634	54,230	179,763	173
Minnesota	1,152	1,108	1,160	1,100	700,085	219,293	2,411	14,362	53,731	407,351	2,935
Mississippi:											
Northern	89	105	159	35	152,825	33,395	1,278	2,120	31,140	82,739	2,152
Southern	145	210	216	139	223,113	59,664	737	26,040	60,236	75,756	677
Missouri:											
Eastern	711	721	706	726	623,892	209,334	7,974	63,491	41,325	296,267	5,499
Western	1,068	1,151	1,240	979	750,021	223,907	14,105	145,759	110,326	246,241	9,591
Montana	258	145	121	282	313,230	27,734	379	186,124	83,079	15,714	198
Nebraska	645	354	488	511	1,867,632	316,635	14,607	109,210	396,733	892,504	137,942
Nevada	27	33	27	33	12,107	5,246	88		1,592	5,178	2
New Hampshire	102	109	150	61	87,118	26,428		2,972	15,127	41,974	615
New Jersey	2,984	1,572	1,679	2,877	2,829,831	909,154	16,134	712,951	323,124	858,503	9,962
New Mexico	75	50	63	62	40,742	6,498	354	31,962	31	1,570	324
New York:											
Northern	1,235	1,272	1,190	1,317	1,158,146	372,151	248	98,335	50,642	633,887	2,880
Eastern	2,728	1,757	2,193	2,292	1,689,046	767,542	257	68,946	132,506	713,787	6,005
Southern	4,131	2,369	3,399	3,101	12,527,316	2,871,255	275	969,932	450,760	8,058,531	176,561
Western	1,560	1,585	1,546	1,599	1,031,847	345,701		74,200	148,828	440,686	22,450
North Carolina:											
Eastern	386	306	380	312	482,254	64,466	11,402	283,648	39,109	81,260	2,277
Middle	301	103	141	263	165,620	26,606	3,638	38,471	28,016	65,311	3,575
Western	177	132	154	155	443,493	103,323	6,354	39,996	109,049	180,993	3,776
North Dakota	33	73	93	13	24,721	10,609	3,232	3,561	3,357	3,440	519
Ohio:											
Northern	3,441	4,141	3,957	3,625	4,086,769	694,863	27,690	1,456,053	258,261	1,638,424	11,475
Southern	2,355	1,931	1,955	2,331	1,319,638	327,437	25,062	540,825	80,402	342,995	2,914
Oklahoma:											
Northern	167	300	278	189	106,679	34,927		6,766	16,693	47,262	1,029
Eastern	288	161	161	288	112,714	30,435	213	8,423	31,126	41,603	912
Western	164	212	262	114	217,334	55,381		67,885	25,999	68,028	40
Oregon	481	941	865	557	167,433	53,757	1,490	10,856	35,442	65,499	387
Pennsylvania:											
Eastern	2,596	797	1,440	1,953	3,355,679	1,176,426	31,350	319,007	368,336	1,359,289	101,268
Middle	613	341	427	527	1,230,427	262,230	4,066	559,570	171,518	198,496	34,545
Western	1,417	475	798	1,094	1,444,219	490,446	19,813	184,212	318,004	420,942	10,800
Puerto Rico	88	32	56	64	97,577	28,625		26,697	26,420	12,987	2,847
Rhode Island	199	162	202	159	207,323	44,215		24,893	16,997	118,775	2,441
South Carolina:											
Eastern	85	62	57	90	123,592	16,739	1,901	81,028	16,478	7,410	33
Western	163	29	105	87	339,764	37,836	8,160	160,557	54,596	75,458	3,155
South Dakota	164	86	124	126	96,520	24,763	13,529	11,220	15,108	31,868	30
Tennessee:											
Eastern	812	1,572	1,591	793	535,786	164,965	2,231	70,889	62,759	229,462	5,477
Middle	394	1,002	909	487	1,010,438	151,629	2,530	396,792	29,726	428,763	996
Western	251	526	614	163	480,530	144,088	6,586	190,354	42,453	94,105	2,942
Texas:											
Northern	451	255	366	340	1,796,462	239,707		531,925	301,879	697,875	25,073
Eastern	467	135	173	429	599,746	71,758		329,990	62,937	104,724	30,335
Southern	393	134	209	318	413,659	81,167		210,105	35,779	86,062	544
Western	324	183	258	249	1,403,102	158,639		963,589	55,144	214,261	11,468
Utah	430	410	349	491	33,633	13,325	604	1,444	5,580	12,657	20
Vermont	201	169	157	213	174,329	21,659		107,431	7,751	37,274	213
Virginia:											
Eastern	718	1,569	1,558	729	568,066	109,445	2,924	116,658	54,877	283,575	584
Western	443	1,006	1,032	417	219,773	36,866	1,087	62,413	28,232	87,553	3,619
Washington:											
Eastern	107	156	140	123	245,090	54,492	2,651	75,813	33,967	77,998	176
Western	338	663	675	326	1,576,201	153,174	1,212	891,302	52,203	467,437	10,870
West Virginia:											
Northern	360	433	386	407	539,932	72,712	658	270,385	80,373	113,551	2,250
Southern	321	349	397	273	575,139	68,785	3,505	370,300	27,173	104,470	903
Wisconsin:											
Eastern	455	953	1,035	373	576,412	178,855	3,203	39,328	89,770	252,952	12,302
Western	317	415	491	241	290,074	84,907	3,050	104,154	26,269	71,408	283
Wyoming	92	79	66	105	12,588	5,113	441	1,411	2,396	3,226	
Total	67,946	58,888	63,482	63,352	81,500,609	18,217,423	467,546	21,602,210	8,628,096	31,349,336	1,235,996

1 The figures for this district are exclusive of 404 cases reported under the old system which could not be included in this tabulation.

STATISTICS OF BANKRUPTCY PROCEEDINGS FOR THE FISCAL YEAR 1934—SUMMARY FOR THE UNITED STATES

Cases pending close of 1933, 67,946; all cases pending close of 1934, 63,352; filed in 1934, 58,888; petitions dismissed in 1934, 3,009; cases concluded in 1934: (*a*) Under sec. 75,349; (*b*) under sec. 77

	Farmers	Employees, professional men	Others not in business	Merchants	Manufacturers	Others in business	Totals
CASES CONCLUDED IN 1934							
Number of compositions (sec. 12)	16	4	10	593	122	94	839
Amount debts composed	$96,879	$99,492	$3,844,675	$22,130,620	$6,131,993	$10,384,660	$42,688,319
Amount paid or to be paid	$31,705	$13,419	$569,924	$7,086,331	$2,023,231	$5,072,485	$14,797,095
Number of compositions (sec. 74)	6	3	1	53	8	8	79
Amount debts composed	$111,692	$13,512	$88,855	$663,264	$556,525	$1,387,637	$2,821,485
Amount paid or to be paid	$45,707	$4,891	$7,244	$203,841	$117,903	$213,880	$593,466
Number of extensions (sec. 74) successful no liquidation	39	68	8	15	1	5	136
Amount debts extended	$69,570	$178,083	$82,601	$440,830	$21,117	$199,768	$991,969
ALL OTHER CASES							
Voluntary	4,707	28,844	4,734	8,655	1,002	6,344	54,286
Involuntary	12	67	74	2,787	763	1,081	4,784
Total of both	4,719	28,911	4,808	11,442	1,765	7,425	59,070
Individuals	4,648	28,850	4,764	8,198	518	5,502	52,480
Partnerships	68	47	21	1,154	172	490	1,952
Corporations	3	14	23	2,090	1,075	1,433	4,638
Liabilities: Secured	$34,396,344	$110,676,157	$72,146,969	$85,860,700	$43,015,409	$272,417,445	$618,513,024
Priority (allowed)	$794,734	$1,901,115	$2,583,477	$6,227,028	$3,374,566	$7,637,729	$22,518,649
Unsecured (allowed)	$12,079,726	$53,994,813	$19,214,464	$148,371,044	$71,580,030	$175,992,341	$481,232,418
Unsecured (not proved)	$21,392,190	$144,508,558	$52,396,365	$69,015,257	$22,757,237	$157,482,721	$467,552,328
Total liabilities	$68,662,994	$311,080,643	$146,341,275	$309,474,029	$140,727,242	$613,530,236	$1,589,816,419
No asset cases (all)	2,872	24,338	3,906	2,267	274	3,442	37,099
Filed as pauper cases	207	5,140	582	408	37	443	6,817
Gross assets realized (less expenses conducting business)	$2,806,014	$1,949,868	$1,405,473	$29,577,912	$16,308,574	$29,452,760	$81,500,601
Fees, expenses of administration	$486,507	$608,096	$288,614	$7,908,420	$3,381,284	$5,544,502	$18,217,423
Paid on account exemptions	$65,729	$46,744	$17,729	$280,084	$12,193	$45,067	$467,546
Paid secured creditors	$1,470,726	$742,356	$611,326	$4,085,397	$4,511,074	$10,181,331	$21,602,210
Paid priority creditors	$150,923	$103,835	$155,206	$2,949,916	$2,129,562	$3,138,648	$8,628,090
Paid unsecured creditors	$609,913	$422,317	$314,097	$14,054,866	$6,063,152	$9,884,991	$31,349,336
Other payments, balances	$22,219	$26,521	$18,502	$299,230	$211,310	$658,214	$1,235,996
Total disbursements	$2,806,014	$1,949,868	$1,405,473	$29,577,912	$16,308,574	$29,452,760	$81,500,601
Number of cases with gross assets of:							
$1 to $250	943	5,367	628	2,091	212	1,361	10,602
$251 to $500	252	293	84	1,456	148	601	2,834
$501 to $1,500	418	255	109	2,551	362	883	4,578
$1,501 to $5,000	216	140	67	1,977	380	596	3,376
Over $5,000	116	68	47	983	387	513	2,114
Examination of bankrupt:							
Number of cases where: None	429	1,495	318	709	154	398	3,503
By referee only	1,452	10,435	1,785	1,456	211	1,705	17,044
By others, under sec. 21a	155	338	83	417	109	239	1,341
By others, at first meeting only	695	2,142	418	1,581	247	852	5,935

ANALYSIS OF FEES AND EXPENSES OF ADMINISTRATION FOR THE FISCAL YEAR 1934 (EXCLUDING COMPOSITIONS AND EXTENSIONS)—SUMMARY FOR THE UNITED STATES

	$1 to $500	$501 to $1,500	$1,501 to $5,000	$5,001 to $10,000	$10,001 to $50.000	Over $50.000
Gross assets realized (less expenses of conducting business)	$1,946,937	$4,201,969	$9,128,060	$9,968,188	$17,883,236	$38,372,211
Total number of cases	18,097	4,622	3,348	1,077	860	182
Average assets	$107	$909	$2,726	$9,255	$20,794	$210,836
FEES AND EXPENSES						
Receivers' fees	23,227	81,775	155,511	126,406	212,598	317,276
Trustees (excluding filing fees)	105,301	202,610	307,144	223,863	325,667	419,410
Attorney for petitioning creditors	23,604	83,598	143,127	102,677	167,849	139,444
Attorney for receivers	19,697	77,880	153,302	121,835	251,522	370,413
Attorney for trustees	188,635	330,289	573,134	485,588	968,185	1,380,382
Attorney for bankrupts	166,466	236,173	272,190	144,246	207,816	132,361
Referees' commissions, fees (including special master, excluding filing fees)	64,935	78,214	127,325	109,553	182,083	305.204
Referee's expenses:						
Travel	9.255	4,854	4,178	2,398	2,119	634
All other	342,299	193,243	207,877	94,942	114,834	72,126
Auctioneers' fees, expenses	28,545	88,337	148,048	75,142	154,943	58,588
Ren (occupation after bankruptcy)	55,046	161,436	267,194	144,982	247,766	179,025
Appraisers' fees, expenses	77,927	98,356	121,851	62,390	101,383	76,984
All other expenses	359,130	525.754	804,344	645,782	1,186,942	1,389,854
Total expenses	1,464,067	2,162,519	3,285,225	2,339,804	4,123,700	4,842,101
Average expenses	80	467	981	2,172	4,795	26,604

Real cost of bankruptcy

(*Continued from page* 19) a minimum.

The billions of dollars lost by creditors and business men through bankruptcies represent only a small fraction of the total loss. The wastage of capital, the resulting unemployment, the effect upon prices and competitors—these are some of the effects upon the National state. Instead of an attitude of hopeless resignation and apathy, instead of *liberalizing legislation facilitating* bankruptcy and reorganization, it would be well worth while to take preventive steps towards minimizing their effect upon business.

The problem is two-fold. In spite of the fact that bankruptcies cannot be entirely eliminated much can be done toward eliminating a major part of the original loss of 96 cents on the dollar by "locking the stable door *before* the horse is stolen." The second phase of the problem is to reduce the cost of bankruptcy administration and liquidation. While the following suggested remedies are not all-inclusive they are pervasive in their application and need only the wholehearted and collective action of credit men, business owners, and the government to bring about a substantial reduction in the losses arising from bankruptcy. (*Continued on page* 47)

Pittsburgh plans progress

Host for the N. A. C. M's 40th Annual Convention and 5th Credit Congress of Industry, the City of Steel begins preparations early and with characteristic "drive."

by BRACE BENNITT,
Convention Director

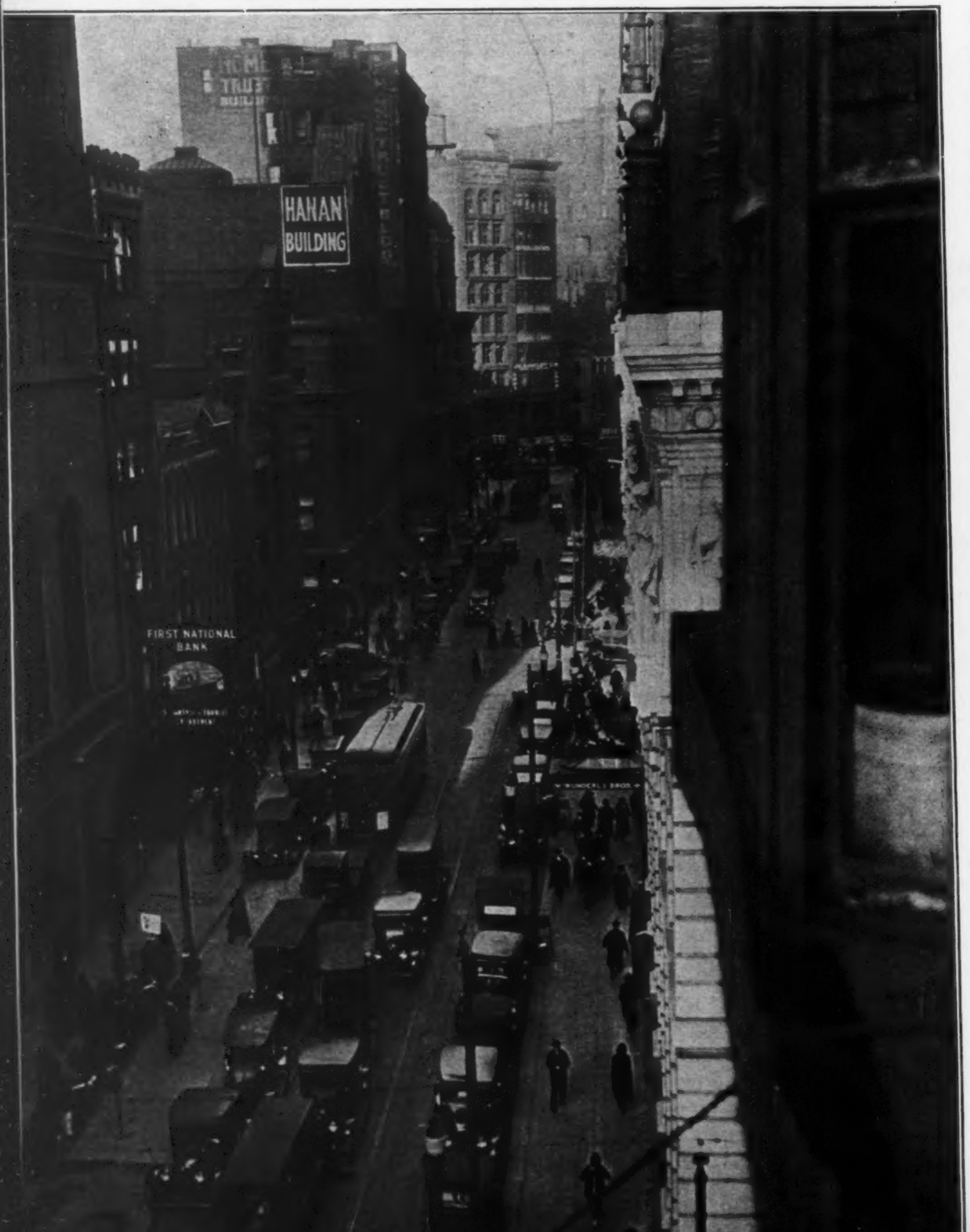
"PREPARE FOR PITTSBURGH" was the caption in a recent issue of Credit & Financial Management relative to the 40th Annual Convention and 5th Credit Congress of Industry. We repeat it for emphasis because, as the convention plans progress, there is every indication of its being one of the outstanding conventions of all the National Association of Credit Men's annual get-togethers.

All committees have been formed by L. W. Lyons, Westinghouse Electric Mfg. Co., General Convention Chairman. Three major committees have already had several meetings. These are the Registrations Committee: L. C. Lyon, Gulf Refining Co., Chairman; the Program Committee: Lloyd Mahoney, University of Pittsburgh, Chairman; the Entertainment Committee: F. D. Hayes, West Penn Power Co., Chairman.

The Convention Director has already made two visits to Pittsburgh and conferred with Chairman Lyons and these three committees. Details of the program are not ready for release, but it is being shaped toward an outstanding business session with a dominating theme running through the week and presented from different business and professional angles by leaders in their respective fields.

It is certain that the Credit Congress of Industry will be an outstanding feature of the week's activities and probably the outstanding industrial congress to date. With the convention in the industrial center of the country, the group attendance will break previous records. Particularly such industries as Coal and Steel and Oil will be prominent. Philip J. Gray of the National Staff, connected with Industry Group work, will again be in charge of the Credit Congress of Industry, which he has so ably developed and managed during the past several years.

The general interest in our June Convention is manifested by the active cooperation, even at this early stage, from the Chamber of Commerce of Pittsburgh, from the William Penn Hotel, our Convention Headquarters, and from business organizations of Western Pennsylvania. And needless to say our several hundred hosts who make up The Credit Association of Western Pennsylvania are already full of enthusiastic desire to give you the warmest welcome and most hospitable (*Cont. on p.* 29)



View along Wood Street, Pittsburgh, near the business center.

Newspaper credit group plans for convention

**by V. D. STUART, Credit Manager, Oakland, Cal., Tribune.
Chairman, Newspaper Credit Managers' Group Meeting**

MR. STUART

Have you heard of the Credit Congress of Industry?

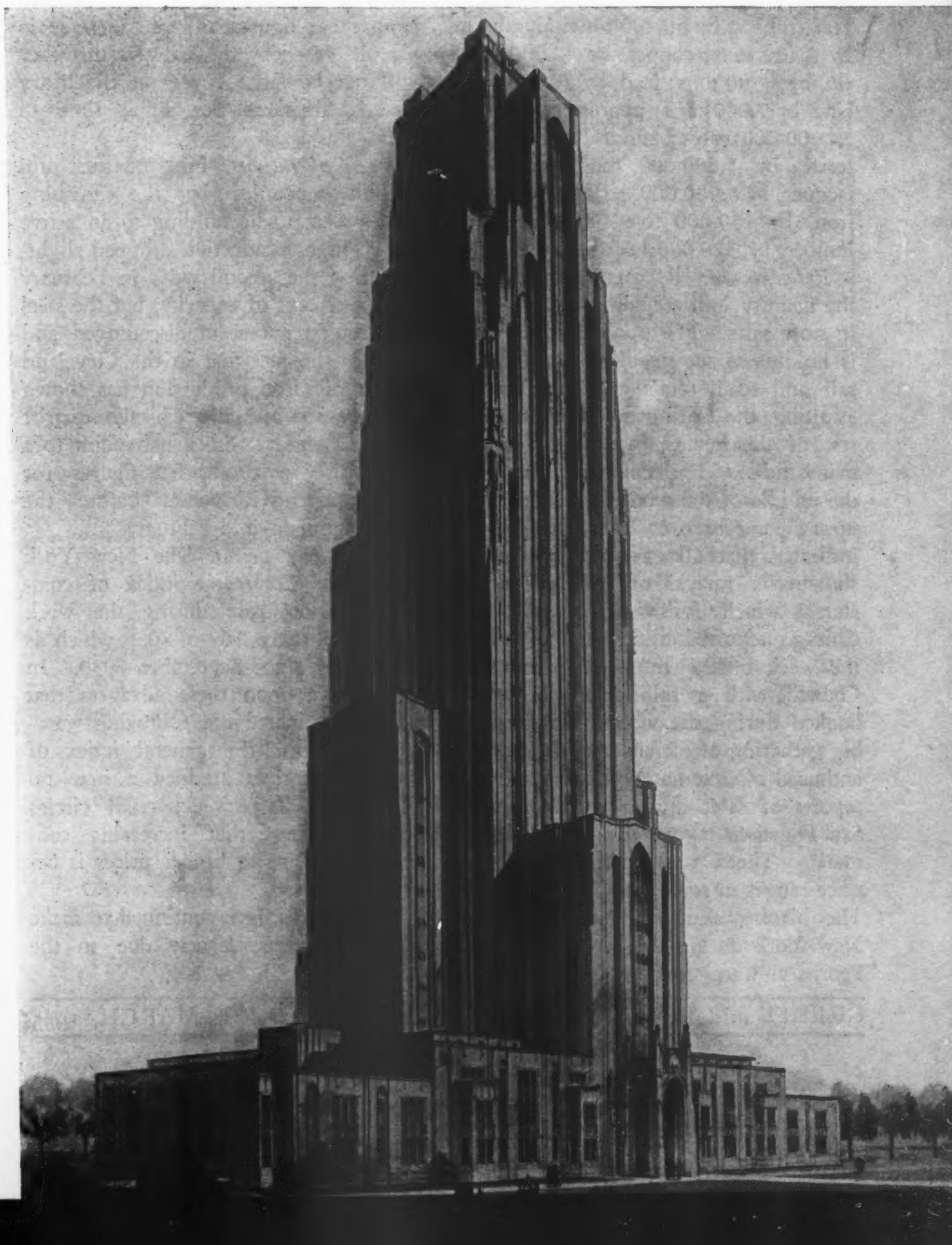
Have you heard of the Big Forty?

The Credit Congress of Industry is made up of all the trade groups of the National Association of Credit Men. It holds its annual meeting in conjunction with the convention of the National Association of Credit Men.

The Big Forty is a committee of forty newspaper credit executives, selected generally throughout the United States, to assist in the preparation of an instructive program for the Newspaper Credit Managers' Group Meeting at the National Association of Credit Men's Convention to be held in Pittsburgh next June. The personnel of the Big Forty is as follows:

Mr. Chas. A. Colton
Boston Transcript
Mr. C. S. Hogarth
Chicago Tribune
Mr. R. B. Gratzer
Louisville Courier-Journal
Mr. John L. McCool
Dispatch Pioneer Press
St. Paul
Mr. Chas. Hogan
Oregon Journal
Portland, Oregon
Mr. G. O. Gill
World-Herald
Omaha
Mr. J. J. Crittenden
Wichita Beacon
Mr. J. V. Minon
Philadelphia Record
Mr. A. L. Vogt
San Diego Union Tribune
Mr. A. W. Selby
Chicago Daily News
Mrs. H. A. Fischer
Christian Science Monitor
Boston
Mr. W. A. Lightbody
Chicago Tribune
Mr. U. W. Hird
Cleveland Plain Dealer
Mr. A. L. Stumler
Herald-Post
Louisville
Mr. C. W. Spear
Wichita Eagle
Mr. C. O. Denning
Los Angeles Times
Mr. N. E. Helland
Seattle Times
Mr. R. E. Langton
Salt Lake Tribune
Mr. F. Norris, Jr.
Baltimore News
Mr. R. B. DeWese
Memphis Commercial Appeal
Mr. W. C. Burson
Pittsburgh Post-Gazette
Mr. B. D. Judkins
Indianapolis News
Mr. T. J. Adams
Times-Picayune
New Orleans
Mr. C. R. Briggs
World Publishing Co.
Oklahoma
Mr. J. L. Moore
Atlanta Journal
Mr. Henry A. Lee
Providence Journal
Mr. John Day Jackson
New Haven Register
Mr. D. W. Armstrong
Democrat-Chronicle
Rochester, N. Y.
Mr. W. L. McLean, Jr.
Evening Bulletin
Philadelphia

(*Cont. on page* 34)



The famed "Cathedral of Learning" of the University of Pittsburgh.

The business thermometer:

Department of Commerce charts

1923-25=100

Automobile trade: According to estimates issued by the Automobile Manufacturers' Association this year's production will be about 25 per cent more than in 1934. This estimate is more than double the total production for 1932, the low point in the so-called "depression cycle." To show how this prospect of increased production is likely to affect other lines of production as well, the following figures given out by Alfred Reeves, vice-president of the Automobile Manufacturers' Association, are of especial interest: The automobile industry in 1934 purchased 1,120,000 tons more steel than in 1932; glass purchases increased by 30,800,000 square feet; upholstery leather, by 5,600,000 square feet; rubber, by 50,400 tons; aluminum, by 8,400 tons; copper, by 42,000 tons; tin, by 4,300 tons; lead, by 28,000 tons; zinc, by 7,000 tons; upholstery cloth, by 14,000,000 yards; curtain and top material, by 5,600,000 tons; paint and lacquer, by 4,900,000 gallons; malleable iron, by 159,000 tons, and hardwood lumber, by 320,000 board-feet.

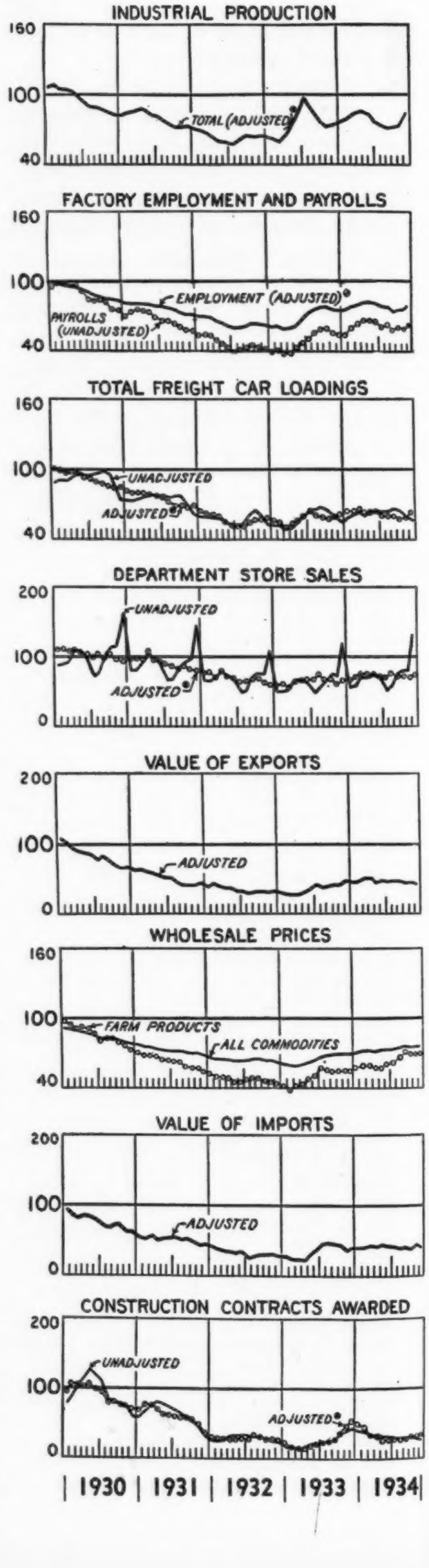
Retail trade: Reports from all over the country indicate some improvement in store sales. Metropolitan New York is holding about steady in both wholesale and retail totals with storekeepers awaiting the spring weather for real test of the buying capacity on spring merchandise. Philadelphia reported at the middle of the month that sales were up 14 per cent over last year. Boston indicated that all of New England is showing a revival of trade after the slump which followed heavy snows. Chicago reported heavy buying during the week of the Interstate Merchant's Council with a falling off in orders booked during the week following the big gathering of merchants. Dallas was enthused after some good gains and the reports of sales during its auto show. San Francisco reports gain in wholesale totals. There was a slight break in price ranges in some lines sold to stores. The blanket and bedding displays in New York during the second week in February were marked by important changes in price ranges.

Transportation: Car loading records continue to reflect fair business conditions with some improvement over a year ago. In this connection it is interesting to note what the railway executives are doing with their budgets in anticipation of the heavy increase in wage totals which they are facing in a short time. During the first six months of 1934 net operating revenue increased by $71,000,000, the railway lines expended $225,000,000 for materials and supplies, including fuel. During the last six months however the net operating revenue declined $100,000,000 and their purchases declined $185,000,000. It will be seen from these figures and the increase in payrolls faced by the railways that they will not be large buyers in the heavy material markets for some time to come.

Steel operations: First quarter production schedules by the finishing plants seem to be holding to an active level. Ingot production dropped slightly during the second week in February to 53 per cent of capacity, but the steel interests do not seem discouraged and point to the fact that in the Cleveland district pig iron production has shown some gain while the Chicago district had held steady. Steel men point to a steady rise in production figures for nine consecutive weeks before the slight slump in mid-February.

Commodity prices: The New York Journal of Commerce index of commodity prices rose during the week ending February 16 to 80.2 which is the highest since September 1930. In commenting upon these advances that publication issued the following warning: "While the general index of commodity prices attained a new recovery peak last week, retail circles sound warnings that increasing consumer resistance to higher prices is being encountered.

"Food prices have continued to make spectacular gains, largely due to the short supplies.



Score sheet of collection and sales conditions

State	City	Collections	Sales
Ariz.	Phoenix	Good	Good
Ark.	Little Rock	Fair	Fair
Calif.	Los Angeles	Good	Good
	Oakland	Good	Good
	San Diego	Fair	Good
	San Francisco	Fair	Fair
Colo.	Denver	Fair	Fair
Conn.	Bridgeport	Fair	Good
	Hartford	Fair	Fair
D. C.	Washington	Fair	Fair
Fla.	Jacksonville	Fair	Fair
	Tampa	Fair	Good
Idaho	Lewiston	Fair	Fair
Ill.	Chicago	Good	Good
	Peoria	Fair	Fair
Ind.	Evansville	Good	Fair
	Fort Wayne	Fair	Fair
	Indianapolis	Good	Good
	South Bend	Fair	Fair
Iowa	Burlington	Fair	Fair
	Cedar Rapids	Fair	Fair
	Davenport	Fair	Fair
	Des Moines	Fair	Slow
	Ottumwa	Fair	Fair
	Sioux City	Fair	Fair
Kan.	Wichita	Slow	Slow
Ky.	Louisville	Good	Fair
La.	New Orleans	Good	Good
	Shreveport	Fair	Fair
Md.	Baltimore	Fair	Fair
Mass.	Boston	Fair	Fair
	Springfield	Slow	Slow
	Worcester	Fair	Fair
Mich.	Detroit	Good	Fair
	Grand Rapids	Fair	Good
	Jackson	Fair	Fair
	Kalamazoo	Fair	Good
	Saginaw	Fair	Fair
Minn.	Duluth	Fair	Fair
	Minneapolis	Good	Good
	St. Paul	Good	Fair
Mo.	Kansas City	Slow	Fair
	St. Joseph	Fair	Fair
	St. Louis	Good	Fair
Mont.	Billings	Fair	Fair
	Great Falls	Fair	Fair
	Helena	Good	Good
Neb.	Omaha	Good	Good
N. J.	Newark	Fair	Fair
N. Y.	Albany	Slow	Fair
	Binghamton	Fair	Fair
	Buffalo	Slow	Fair
	Elmira	Fair	Fair
	Jamestown	Fair	Fair
	New York	Good	Fair
	Norwich	Good	Good
	Rochester	Fair	Fair
	Syracuse	Fair	Fair
N. C.	Charlotte	Fair	Fair
N. D.	Fargo	Good	Good
	Grand Forks	Fair	Fair
Ohio	Dayton	Fair	Fair
	Toledo	Fair	Fair
	Youngstown	Fair	Fair
Oregon	Portland	Fair	Fair
Pa.	Allentown	Slow	Slow
	Altoona	Slow	Slow
	Harrisburg	Slow	Fair
	Johnstown	Fair	Fair
R. I.	Providence	Slow	Slow
S. D.	Sioux Falls	Fair	Fair
Tenn.	Chattanooga	Fair	Fair
	Knoxville	Good	Good
	Memphis	Good	Fair
Tex.	Austin	Good	Good
	Dallas	Fair	Fair
	El Paso	Fair	Fair
	Ft. Worth	Fair	Fair
	San Antonio	Slow	Fair
	Waco	Fair	Fair
Utah	Salt Lake City	Fair	Fair
Va.	Bristol	Fair	Fair
	Lynchburg	Fair	Fair
	Norfolk	Good	Good
	Richmond	Good	Good
Wash.	Bellingham	Fair	Fair
	Spokane	Fair	Fair
	Tacoma	Fair	Fair
W. Va.	Bluefield	Fair	Fair
	Charleston	Fair	Fair
	Clarksburg	Fair	Fair
	Huntington	Fair	Fair
	Parkersburg	Good	Fair
	Wheeling	Fair	Fair
Wis.	Fon du Lac	Fair	Fair
	Green Bay	Fair	Fair
	Milwaukee	Fair	Fair
	Oshkosh	Fair	Fair
Hawaii	Honolulu	Fair	Fair

(Because of distance, Honolulu report is for January)

Collections and sales comments:

Phoenix, Arizona, reports that the result from improvement in business is chiefly due to the large number of winter visitors. . . . Denver, Colorado, states that collection returns in their area have maintained their position fairly well, while their sales from a wholesale and retail standpoint showed a decided drop since Christmas. . . . Tampa, Florida, says their collections have fallen off to some extent owing to the "freeze" which many parts of the state experienced in December. . . . Sioux City, Iowa, declared sales to be 25% better than a year ago. Collections, however, were spotted and while they indicated improvement, quite a number of merchants were very slow with their payments. . . . From Springfield, Massachusetts, we have the reports that credit is so restricted, it is holding back trade. . . . Duluth, Minnesota, reports a slight falling off as to both sales and collections except in the meat line, which is accounted for by price increase and sales to C.C.C. Camps. The decrease in other lines is undoubtedly seasonable. . . . The 3 per cent sales tax recently put into effect in Ohio has resulted in an expected slump in business but believe it to be only temporary. Manufacturing continues to be active, however. . . . The steel industry in Youngstown, Ohio, is showing a pick-up. . . . In Altoona, Pennsylvania, they expect a pick-up during March as the Pennsylvania Railroad reports more working hours. . . . Reduced relief allotments has caused reduced sales in some lines in Sioux Falls, S. D. . . . In Green Bay, Wisconsin, the sales have slowed up some because of the extreme cold weather and heavy snow. The same applies to their collections. . . . January sales in the Baltimore area barely held the improvement shown during the past four months. January collections 38% better than December.

Summary

This month:

Collections:		Sales:	
Good	23	Good	20
Fair	66	Fair	73
Slow	10	Slow	6

Last month:

Collections:		Sales:	
Good	33	Good	37
Fair	62	Fair	61
Slow	9	Slow	5

This month's collection letter:

Submitted for the approval of our readers by

J. N. JONES, Asst. Treas., Decatur & Hopkins, Boston

"Each month I read with interest and profit your feature, "This Month's Collection Letter," and while most of them are of the personal and individual type, I have often wondered if other companies use with good results, some form of a series of printed notices such as the ones I am enclosing. We have had exceptionally good results with these and we use them in the following manner," Mr. Jones writes in submitting these printed forms.

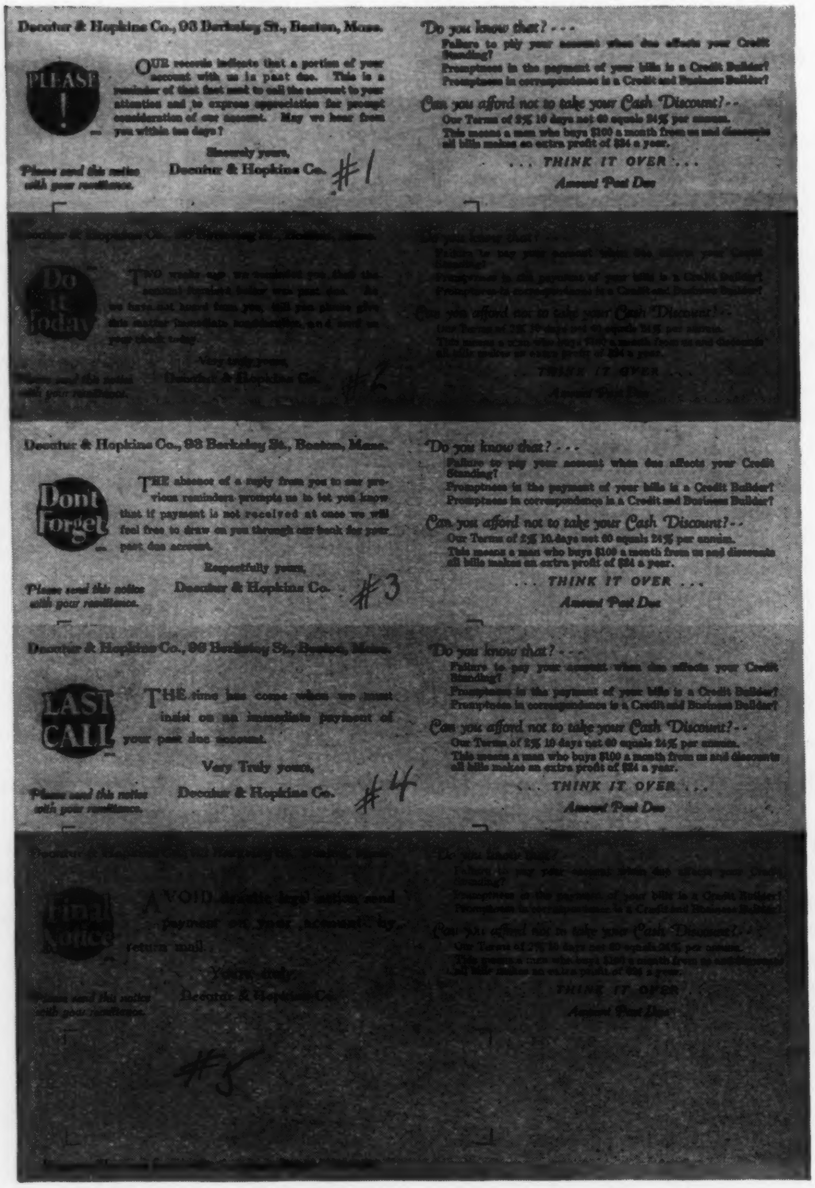
"Our terms are sixty days and when sending out our statements showing a balance 30 days past due, we also send notice number 1, the white one. This carries the customer's name and the month and amount past due. It is made out in triplicate, one copy for the customer, one for our files, and one for the salesman covering the account. This procedure applies to all of our forms and letters.

"If payment is not received in two weeks, we send the yellow slip, notice number 2 and follow this up in ten days with the blue notice number 3. If this doesn't produce results, we send the green notice number 4 and then finally, the red notice number 5.

"We are not arbitrary in the use of these notices and many accounts are given a personal follow-up with telephone calls or individual letters anywhere we deem advisable in the series.

"In addition, we often change the sequence of the last three notices omitting some or substituting a bank draft or personal letter.

"It is the flexibility of these notices in conjunction with personal letters that has produced good collections for us since we started using them and we are pleased to hand them on to you in hopes they may be helpful to others."



Credit and Financial Management is desirous of receiving successful collection letters from its readers. One of these is published each month. The letters presented may be of any type; the one important requirement being that they have proven successful in actual credit department operations.

Supplementary to your collection letter efforts, there should be reliance on Credit Interchange reports. With Credit Interchange reports before you on each of your accounts, you will attain maximum effectiveness in using the collection letters presented here.

Paging the new books

Reviews of the important books on business, to aid executives whose reading hours are limited.

This month's business book

MONEY: THE HUMAN CONFLICT. By Elgin Groseclose. University of Oklahoma Press, Norman, Okla. $3.25

That there is nothing new under the sun has been stated so often that it is accepted as a fact. But in money matters the idea has grown that today we are smarter in the way of managing money than man has ever been. Consequently, we disregard history's teachings to proceed with measures of monetary devaluation, price-fixing and such.

Now and then a book as excellent as this by Mr. Groseclose is published, reaffirming the fact that there is nothing new under the sun—not even man's attempt to manipulate money.

For money is and has been a problem to all who have used it in the conduct of commerce. Those who have attempted to trade without the mechanism of money, have had to return to a lower level of living, observe their trading areas shrink, their trade volume diminish, their social structure collapse because of insecure commercial foundation.

It must be disconcerting to the glib-tongued money doctors to find instances of devaluation, manipulation, and inflation sprinkled through the pages of a history on money. But such are the facts.

Ever since the Greeks established state sovereignity in the matter of coinage of metal into money, mankind had known depression whenever the money of the particular state or states has been tampered with. Three methods have been used through our history—invariably with the same disastrous results.

The first of these types of manipulations has been debasement—reduction of weight without a change in proportional current value. The second has been a change in the standard, while the third has been a change in the legal denomination, which is the method legislated by the United States, in January 1934.

Mr. Groseclose, brings added points to his analysis of the relation of man and money by incorporating into his text Macaulay's words: "It may well be doubted whether all the misery which has been inflicted on the English nations in a quarter century by bad kings, bad ministers, bad Parliaments and bad judges, was equal to the misery caused by bad crowns and bad shillings."

The history of money, the author then declares, is the story of man's struggle to hold it, to live with it, to bring it to do his tasks. Man lives with money but so far it has not been a successful union.

As evidence, Mr. Groseclose, exhibits an impartial panorama of the world's monetary history in this well written and easily read, learned but not pedantic volume. Carefully annoted, excellently printed, "Money: The Human Conflict," is the best book to come along on this subject for many, many months. It makes of the history and the economics of money a diverting account and, incidentally, it mirrors civilization's ups and downs in an engagingly human manner.

—P. H.

Bimetallism

"SOUND" AND "UNSOUND" MONEY. By Twyman O. Abbott. Published by the Telegraph Press, Harrisburg, Pa., $1.50.

"That man makes a vital mistake who judges of truth in relation to financial affairs, from the changing stages of public opinion. He might as well stand on the short of the Bay of Fundy and from the ebb and flow of a single tide attempt to determine the general level of the sea, as to stand on this floor and, from the current of public opinion in one debate, judge of the general level of the public mind. It is only when long spaces along the shore of the sea are taken into account that the grand level is found, from which all depths and heights are measured. And it is only when long spaces of time are considered that we find at last that level of public opinion which we call the general judgment of mankind. From the turbulent ebb and flow of public opinion of today I appeal to that settled judgment of mankind on the subject matter of debate."

With these words, addressed by the Hon. James A. Garfield to the House of Representative in 1877, Mr. Abbott opens his book in which he pleads the case for bimetallism.

The first paragraph is still applicable today. For those who are not acquainted with the Bay of Fundy, it may be said that this body of water between Nova Scotia and Canada has a rise and fall of tide that in some places goes to the extremes of 60 feet between high and low water. In the current debate on the money question, similar extremes are evident.

In support and in introduction to his thesis for bimetallism, Mr. Abbott makes a roll call of Presidential statements on sound money. "Sound" money, incidentally, is what everyone wants, Mr. Abbott takes pains to point out and then attributes the use of the phrase "sound money" exclusively as a reference to the gold standard as being a development of the latter part of the past century.

His work is based largely on the historical development of our money and centers around the "Crime of '73," which demonetized silver.

How much the "money cure" is needed is subject to as much debate today as in years gone by. But without any intention of debating with Mr. Abbott, a frank and positive bimetallist, it is well to emphasize the point he brings out in his discussion of the resumption of specie payment in President Grant's régime.

After heated argument over a period of years, it was voted to resume specie payments—discontinued during the war period of the 60's—four years after the passage of the Act. But that did not bring the restoration of prosperity which had been expected. So it was thought necessary to bring about resumption even earlier.

Yet at the end of two years after resumption became an actual fact, President Hayes said that "no considerable amount of United States notes has been presented for resumption." Oddly enough, Mr. Abbott says, the coin in the Treasury actually increased $227,-

339,428 and bullion for the government stamp sought to be exchanged for government notes. Such a paragraph reporting actual experience causes one to wonder if our ills today also are not more deep-seated than the "money-cure" school of advocates believes.

In any event, Mr. Abbott is a seasoned pleader (having practiced as a member of the New York and California Bars and the Bar of the U. S. Supreme Court) who is a bimetallist for reasons which he frankly presents in this plain-speaking, well-reasoned book.

If you're "agin" silver, you'll gain a better understanding of your opposition and the position of the silverites from this book. If you're "agin" gold, it's also essential that you have this book well digested before you make entrance into a debate on the subject of money.

—P. H.

Our financial past

FINANCIAL HISTORY OF THE UNITED STATES. By Davis Rich Dewey. Longmans, Green & Company, New York. $3.00.

First published in 1903, this volume has been kept up-to-date over the period of years since then, this being the twelfth edition and carrying the narrative through the sessions of the 1934 Congress. For an unbiased understanding of the course of the stream of our financial history, this book is invaluable. But specifically, the cost is easily worthwhile if only the historical discussion of silver turbulence in our legislative halls is considered.

As a supplement to the books mentioned on this page, Dewey's Financial History is recommended without qualification. Here you can have handy for reference a scholarly, but nevertheless alive, account of the various phases in our financial growth. In connection with silver, and the recent gold clause decision, it is of course interesting to turn back the pages and learn more about the past history of these problems.

But, at any time, a knowledge of our banking developments, our taxation problems, our tariff growth, our credit record and our public debt over the years, just to mention a few of the subjects, is worth knowing and worth having available without much trouble. This is one of the half dozen general books which every business man should have at hand for easy reference.

Bank credit

EXPERIMENTS IN CREDIT CONTROL. By Caroline Whitney. Columbia University Press, New York City. 230 pages. $3.75.

While the title of this book might be misleading to credit executives, in that it deals almost entirely with bank credits through the development of the Federal Reserve System, students of the economics of business will find it both interesting and instructive. Miss Whitney's book is of the doctorate-thesis type. To the casual student of economics, this fact may be an advantage, as the book presents in quite minute detail the basic elements of the subjects discussed.

It is refreshing to read a book from a writer on a credit subject who gives this sort of a definition of credit: "Credit is an asset of individuals. The lender or seller is said to extend credit. Actually he extends goods or purchasing power by recognizing credit." When we keep this sort of definition of credit in mind, we are more apt to check more closely to the slogan: "Poor information, not poor judgment, is the cause of most credit losses."

Again, in discussing the functions of the Federal Reserve System, Miss Whitney gives us this view of credit. "Credit has already been defined as an asset of all members of the community, taking the form of potential rights over future goods and services. Credit rests, in the last analysis, on future market value of goods. Therefore the volume of credit is related closely to the production of goods and the price level." We commend this definition of credit to the thoughtful consideration of those who are urging the Administration to force the banks to open their mounting reserves to loans.

—R. G. T.

A summary of the financial statements of the thirteen companies comprising the "Royal-Liverpool" Groups presents combined admitted assets of $154,141,-863. with securities at convention values which is increased to $155,190,661. on a December 31st, 1934 market value basis. The combined surplus to policyholders at market values was $66,576,-071 and represents an increase of $7,-341,855. over the preceding year.

Pittsburgh plans progress

(*Cont. from page* 22) week you ever had.

The Credit Women, led by Miss Bess Havens of Binghamton, National Chairman, have plans already in action toward the promotion of attendance of the Credit Women at Pittsburgh. Many associations have again this year based their membership performances on a trip to the convention for the winners. Several associations looking toward inviting the National Convention for 1936 have even this far ahead lined up delegations that will break their previous attendance records. All-in-all there is a country-wide "convention-consciousness" that to our recollection has not for years been in evidence so far ahead of convention time.

The Foreign Session this year will be more greatly developed than heretofore. In charge of the Foreign Department of the National Association of Credit Men, and in full cooperation with the Pittsburgh organizations and firms interested in export business, this part of the convention's special sessions will alone be worth the convention trip for those handling overseas trade.

The Royal Order of Zebras will again play an important part in the convention activities and hospitality. No one has forgotten the Los Angeles Herd last year. Since then the Zebra organization has become national in scope. Many Herds are now organized east of the Rockies, not the least of which is the Pittsburgh Herd. You will be greeted by the already familiar "Hee-Haws."

There will be a strong pulling power for attendance because of the accessibility of Pittsburgh. Practically two-thirds of the population of the United States is within 24 hours train time from Pittsburgh.

And as referred to in our last article the setting of the dates a week later will be much more convenient and therefore insure a larger attendance which will be mutually profitable to all.

Again we say: Plans Are Progressing so Prepare for Pittsburgh!

Force of habit

"Yes, dear, my husband is a doctor and just the nicest fellow in the world, but so absent-minded!" she explained to a schoolgirl chum. "Just imagine, during the wedding ceremony, when the time came for him to place the ring on my finger, he felt my pulse, and then asked me to put out my tongue."

—*"The Kablegram."*

1935: Credit Interchange Year

Our readers think

I wholly disapprove of what you say and will defend to the death your right to say it.
Voltaire to Helvetius

Applause

Gentlemen:

I have just had an opportunity to acquaint myself with the contents of your January issue and take this means of expressing to you my congratulations. Every article is worthwhile.

Very truly yours,
MARTIN J. TEIGAN,
Executive Secretary,
Commercial Law League of America,
Chicago, Illinois.

School contracts

Gentlemen:

As a member of the National Association of Credit Men, I have the pleasure of receiving the monthly issues of "Credit and Financial Management," the February issue now being before me.

I note on page 44 under "Answers to Credit Questions," etc. column 2, a question regarding school contracts and you advise the questioner if there is a reader of this column that knows or is aware of any such form or book, he may be good enough to notify you.

Probably I may be a little out of order, but I might advise the concern whom I represent as Credit Manager deals with hundreds of Boards of Education, Municipalities, etc. throughout the Country and to the writer's personal knowledge, no regular contracts in all of our dealings with this class of trade in the last twenty years, have ever been used outside of our own contracts, which are made up according to conditions and our understanding of conditions.

For your further information and inquirer's information, might advise the reason such is the case is that if a new political power or party is in office, they may have and have done so with us, refused to accept the competion of a contract signed for and accepted by a previous Board or authority, which action has of course compelled us to resort to legal means in order to effect satisfactory settlement.

The information given above may be of some assistance to inquiring member and is therefore gladly submitted.

Faithfully yours,
Wm. W. Waters, *Credit Manager,*
The C. B. Dolge Company,
Westport, Conn.

Round-table on foreign credits

The Foreign Credit Interchange Bureau has been invited by the Export Managers Club of New York, Inc., to sponsor a luncheon devoted to a round-table discussion of Foreign Credit, collection and exchange problems of the day of the annual "Get-Together" of the Club, Tuesday, March 19th.

For several years the Foreign Credit Interchange Bureau has been sponsoring such a luncheon and this year it will take the place of the regular March Round-Table Conference. P. M. Haight, Secretary-Treasurer of the International General Electric Company, will be chairman of this meeting which will commence promptly at 12:30 P.M. The charge for the luncheon will be **$1.75** per plate and reservations can be made with Miss Helen J. Devlin, Ass't Secy. of the Export Managers Club of New York, Inc., Two Lafayette Street, New York City.

All members of the National Association of Credit Men who are interested in the problems to be discussed are invited to attend this meeting.

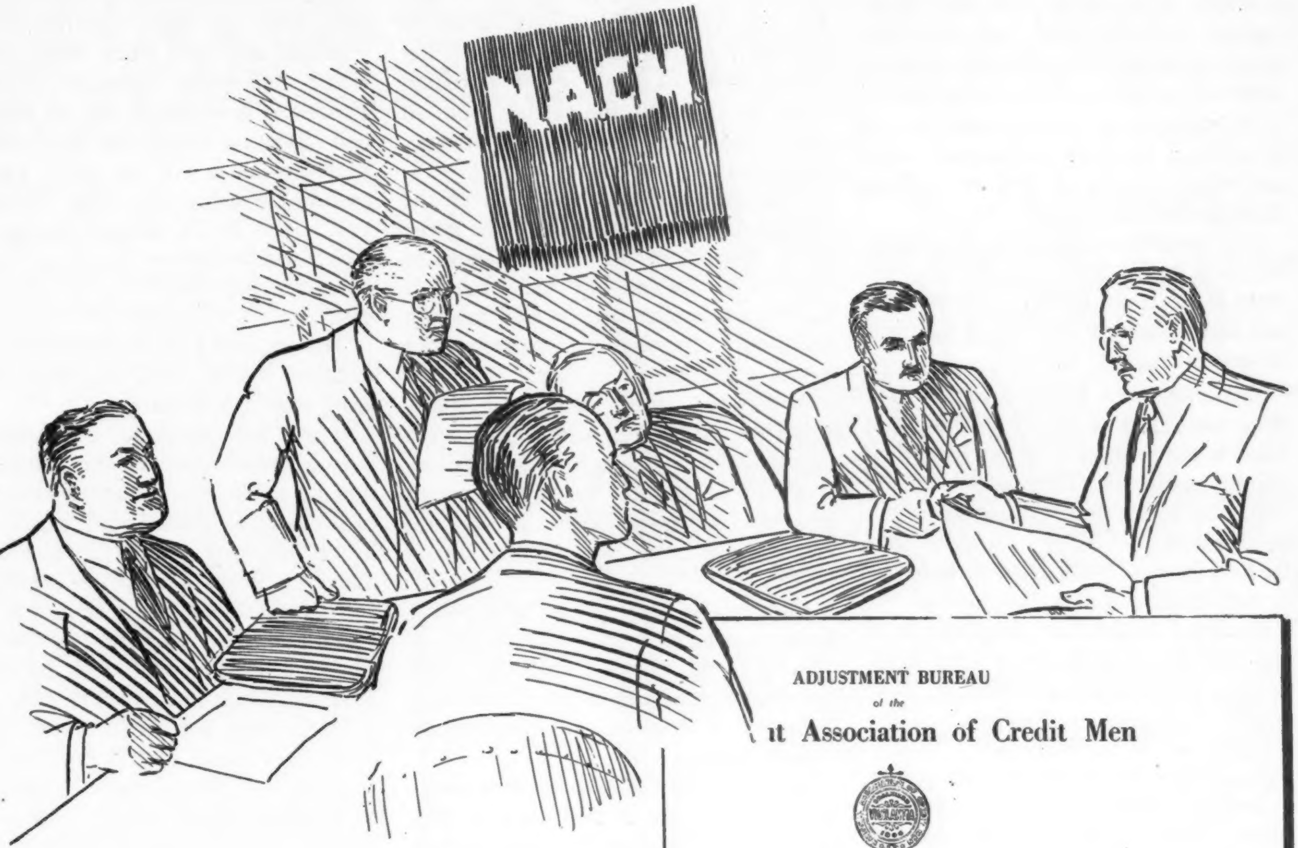
Prison goods

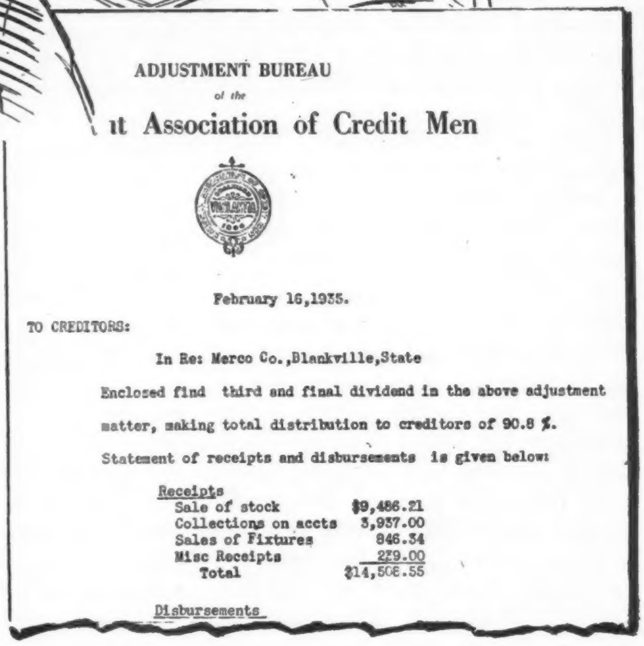
Complete withdrawal of prison-made goods from competition with the products of private industry is the only solution of a competitive problem that has burdened American industrial and political life for a long time, according to the findings of the special committee named to study the relationship between prison goods and the output of the cotton-garment industry. It recommended that prison goods be devoted to State use and that to this end special appropriations from the funds of the Public Works Administration be made to the States to help them reorganize their prison industries. Pending the completion of plans for removing prison goods from competitive trade, the committee deemed it essential that the prison-labor compact be retained as the best instrument of control.

Homes

Some 5,000 families are to be provided for in the subsistence homesteads projects being fostered by two agencies of the United States Government. These agencies are the Subsistence Homesteads Division of the Department of the Interior and the Federal Emergency Relief Administration. Up to the end of December, 1934, the former had approved 62 projects; the work had reached the house-construction stage in 20 and in 8 the first group of houses had been completed. The Federal Emergency Relief Administration had approved the creation of three new rural industrial communities, in all of which some of the homesteaders have already taken possession of their new homes. All of these projects are being financed from Federal funds. The homes in the Subsistence Homesteads Division projects are to be purchased on long-term contracts by the homesteaders, while those of the F. E. R. A. will be rented to them. These homesteads will be occupied by the families of workers who will combine home gardening with part-time industrial employment.

Cooperation Produces Results!





ADJUSTMENT BUREAU

of the

...t Association of Credit Men

February 16,1935.

TO CREDITORS:

In Re: Merco Co.,Blankville,State

Enclosed find third and final dividend in the above adjustment matter, making total distribution to creditors of 90.8 %.

Statement of receipts and disbursements is given below:

Receipts	
Sale of stock	$9,486.21
Collections on accts	3,937.00
Sales of Fixtures	846.34
Misc Receipts	229.00
Total	$14,508.55

Disbursements

Meetings of creditors take place every day in the Adjustment Bureaus affiliated with the National Association of Credit Men.

Some are clinics. Some are consultations. Some are post mortems. Some are autopsies. Some are funerals.

Whatever the purpose, the thoughts and actions are **constructive.** Creditors, by working together, prevent losses.

The combination of expert Adjustment Bureau Personnel and creditor advice gets **Results.**

All estates do not turn out so well as in the case noted here.

However, the high percentage paid to creditors throughout the system is one of the distinguishing features of the work of the

Adjustment Bureaus

affiliated with

National Association of Credit Men

One Park Ave. New York, N. Y.

Renaissance in Oregon

(*Cont. from page* 11) of relocating the railroads is underway. On the Washington side, the road bed has been raised eight feet for a distance of seven miles and placed a little farther inland.

On the Oregon side, the railroad will be swerved far from its original course and when completed, will be running through new country.

The wonderful Columbia River highway will be placed a considerable distance from its old location, but the river will be within view virtually at all times, as at present.

Bonneville is a bee-hive of industry. Here some 2800 men are working and there is not a minute in the day when activity ceases. Twenty-four hours every day in the week the work is going forward full blast. Accidents thus far have been surprisingly few, only one or two killed and very few injured.

Bradford Island has disappeared in part and the rest has been leveled off to form the sides of the canal, or lock, on one side and the dividing line for the dam on its northern side. Soundings made on the island and through the river bed, showed a rock foundation which could not be surpassed and on these the great dam is being built.

The dam in length, over all, will be 1250 feet and the spillway crest 900 feet. It is built of mass concrete of the gravity type. Width at the base is 180 feet and height above lowest foundation 170 feet. There will be 18 gates in the dam, each 50 inches square of the vertical lift type and each weighing 250 tons. They will be operated by gantry cranes. Into the dam will go 600,000 cubic yards of concrete, 9000 tons of structural and reinforcing steel. A total of 2,000,000 cubic yards of earth, rock and what have you, had to be excavated to enable building of the dam.

The lock, originally planned to be only 360 feet in length, will be 500 feet long. Depth of the lock over the sill will be 27 feet at ordinary low water and it will be 76 feet wide. First plans called for only a 15-foot depth at low water. When completed, the water passing through the lock and back of it will be at least 72 feet in depth and army engineers say it will be much more, capable of floating almost any ship. The lift at low water will be 66 feet, or the highest yet built. At normal flow the lift will be 59 feet and at extreme high water, only 30 feet.

Total volume of water required to fill the lock chamber during normal flow will be 1,800,000 cubic feet or 42 acre feet, or 13,600,000 gallons, which is one-third of the average daily water consumption of the City of Portland, with its 350,000 inhabitants, for all uses including domestic, industrial, street cleaning and irrigation.

The dam will back the water of the mighty Columbia up through the gorge for a distance of 50 miles upstream to above The Dalles and will turn this marvelous stream into a fast running lake—fast running underneath, but rather placid on its surface.

When the dam is completed, sometime late in 1936 or early 1937, were all ten of its power units to be installed, it would be possible for it to generate 450,000 kilowatt hours of electric energy, equivalent to 600,000 horsepower.

Cost of this current at the power house is estimated by the engineers at 1½ mills per kilowatt hour on a 100 per cent capacity operation. Of course, delivered in Portland, the cost will be slightly more.

But only about 90,000 kilowatt hours of electric energy at peak capacity will be developed for the reason that but two power units will be installed at this time. The foundations will be laid for all ten.

Every precaution for the safety of salmon running up to the spawning grounds and to the sea has been taken. There will be at least four ladders in the spillway and one or more at the lock. These magnificent fish are too valuable to allow any hindrance to their pilgrimage up and down stream or to place them in jeopardy.

Cheap electricity—it finally has been realized—is necessary to secure industries and large payrolls and these naturally would cover a wide range insofar as variety is concerned. For instance cellulose industries, which include pulp and paper and rayon; aluminum and ferrous alloys; fertilizer material production and by-products; iron and steel reduction plants, also copper and copper alloy, zinc and lead, gold and silver and other metals; chemicals and metals from brine; electric furnace products and the like. These are but a few of the many industries it is expected will be attracted to Portland and the territory between here and Bonneville once the work is finished.

Oregon has unlimited timber. Pulp wood is abundant along with Douglas fir, spruce, pine, oak and other varieties, and every product into which wood enters, could easily be turned out here. Oregon's mines are being developed and have been for years, but not as it is expected they will when cheap current from Bonneville becomes available. Further it is expected that all Portland and adjoining homes will be electrically heated when it will not cost a fortune, as now, to enjoy this clean, delightful heat. The 20 dwellings at Bonneville, which will be homes for the permanent operators, and which cost about $10,000 each, are all wired for electric heating.

The channel between Bonneville and Portland will be a full 35 feet in depth, army engineers declare.

It was September 30, 1933 that the dam was authorized by the administration of public works, under provisions of the NIRA. Actual work began early in the following month. In little more than 15 months the results are almost unbelievable. From the enormous cuts which have been made for the dam and the great lock, enough rock has been taken to almost make a mountain. All is being made use of, however. Land once under water, now is high and dry as a result of filling work. The peak on Bradford island, is some other place, probably at the bottom of the river now, with the dam resting upon it, or else it may be a part of the dam.

Standing on the lookout platform and looking down thousands of feet, one sees men hustling about who look to be the size of fleas and out there in mid-air are other men, who resemble ants in size, riding those great hoists which run on cables anywhere from a half to a mile in length. It is an imposing sight, one which almost beggars description and must be seen to be appreciated.

A few miles east of the dam is the town of Cascade Locks, named for the locks through which river boats pass to avoid the rapids. When Bonneville is completed these locks and the beautiful grounds surrounding them, will be completely submerged, but the town itself will be above the water's edge and will not need to be moved.

Portland's position as a major port naturally will be enhanced by this Bonneville development. Already some 90 services connect Portland by water with every commercial nation in the world, and the number, it is expected, will be increased. There is no place quite like Portland—the City of Roses—and once a steamship line comes into this port, it finds it advantageous to continue. It will be more so when Bonneville is finished.

Won't you come to Oregon? This cordial invitation is extended from a commonwealth already well past the pioneer stage with over 75 years of stirring history. Rich in opportunities for agricultural, industrial and business development it lacks only additional population in order to reach a most distinctive position among leading states of the Pacific Slope.

Revision of data

(*Cont. fr. p.* 8) are more profitable than others primarily because of their prompt and consistent practice of paying according to terms. The source of information that will give most completely and accurately a record of the paying habits of an account is in these days of very first importance.

The Credit Interchange Bureaus which are operated by the National Association of Credit Men are in a position to give this information most satisfactorily. To the degree that the membership in the local units of the Association Bureaus is complete, these Bureaus are furnishing accurate, up-to-date and dependable information on this most essential point. The Bureaus are operated on a mutual basis so that every contributing member may, in exchange for his experience, secure the experience of all other interested members.

Salaries for referees?

A bill to provide salaried referees in bankruptcy under an amendment to the Federal bankruptcy act has been introduced in Congress and referred to the Committee on the Judiciary.

The bill, known as H. R. 5356, would have referees appointed and commissioned for the several courts of bankruptcy by the President of the United States for a term of four years at a salary of not less than $5,000 or more than $15,000 per annum, having regard to the volume of business of the respective referee districts. The President will also have the power of removal.

77B is held constitutional

The U. S. District Court of Appeals here yesterday found amendment 77B of the Bankruptcy Act to be constitutional. Judge A. N. Hand wrote the opinion in the 77B reorganization proceedings of the Central Funding Corp.

The Union Trust Co. of Maryland, trustee under an indenture involving a $2,400,000 investment, attacked the 77B petition, first on the ground that it could not be made to apply to the Central Funding Corp., and, second, that the amendment is unconstitutional.

So far as could be learned yesterday, this is the first ruling on the constitutionality of the corporate reorganization amendment to be made by a Circuit Court of Appeals.

Cottonfield Overseer: "Say, Sambo, what makes your nose so flat?"

Sambo: "I don't know, boss, but I s'pect it's to keep me from stickin' it in other people's business."

John Burns, famous British labor leader, once visited an institution for the mentally deficient and was amazed to find so few guards on duty. "What's going to happen if these maniacs get together and start something?" he asked the doctor in charge. "Don't worry," the doctor answered, "lunatics never co-operate."

Prepare for PITTSBURGH!

40th Annual N. A. C. M. Convention and Fifth Credit Congress of Industry—June 17 to 21

Notes About Credit Matters

Newspaper credit group

(*Cont. from page* 23)

Mr. A. H. D. Perkins
Memphis Press-Scimitar
Mr. Wm. H. Eichenberg
Pittsburgh Sun-Telegram
Mr. S. A. Caffey
Mirror Printing Co.,
Altoona, Pa.
Mr. E. C. Woempner
Indianapolis Star
Mr. R. B. Cammack
Dallas News and Journal
Mr. W. R. Little
Evening Star Newspaper Co.
Washington, D. C.
Mr. C. W. Kuhne
Bridgeport Times-Star
Mr. D. D. Wells
News Leader
Richmond, Va.
Mr. Charles Sefrit
Bellingham Herald
Mr. Chas. A. Tyler
Philadelphia Inquirer
Mrs. C. E. Lowry
Chattanooga News

The value of credit management to every manufacturing, mercantile, and banking institution is readily admitted. Strange as it may seem, newspapers were among the very last of the major industries to take heed of the vast amount of money they were losing annually. Brief research reflects that it is only within the last twenty years that newspaper credit offices were considered seriously.

Today, however, progress is being made from coast to coast in weaving these offices into a network to tighten up on the commercial fraud and the generally unscrupulous advertiser: the kind who is ever trying to evade payment and who probably has not the necessary capital to remain long in business.

The time has definitely passed for newspapers to fear that their competitors may learn, by hook or crook, something of how Jones handles his account with another paper. Every medium in a given community knows the other's rates and how much space Jones uses in any publication. The important thing now is to find out if Jones pays his advertising bills to the other paper; and it is even more important to find out if he *does not pay*. No sale has been made in any sense of the word until Jones remits.

Newspaper credit executives throughout the land have by years of study and diligent service to their respective publications perfected facilities and straightened out many seriously entangled credit problems. They have thereby put the matter of exchanging vital credit information with a competitor on a sound basis. In former years the selfish unthinking credit man often inherited a competitor's undesirable castoff account.

Newspaper credit groups are forming in all of the larger cities throughout the country, and much risk has been eliminated by the cooperation of members.

Here is an outstanding example of what a well-organized group can do. An oriental rug merchant owed the San Francisco and Oakland newspapers varying amounts. He was a hard one to get money from. At a group meeting the rug merchant's name went around the table. It was learned that he owed the papers represented $3500. A committee of three visited Mr. Rug Man that afternoon, and in one week the papers had all of their money. He does not delay payments to the newspapers any more. He pays his bills. The advantage of the united action was that no one paper could be singled out as the one to lose his patronage. *He knew all had made up their minds to collect.*

Wholesale credit in Buffalo

There was a further favorable decline in the ratio of overdue to outstanding accounts of 21 wholesale concerns in the Buffalo district from 16.7% on January 1, 1935 to 16.5% on February 1, 1935. This ratio compares with 18.3% on February 1, 1934.

In the food group the ratio of overdue to outstanding wholesale accounts stood at 25.3% on February 1, 1935 as compared with 25.5% on January 1, 1935 and 31.1% on February 1, 1934.

Paul O. Kerin of Altoona writes Adjustment Ad.

The announcement of the Adjustment Bureaus of the National Association which appears on page 31 of this issue was prepared by Mr. Paul O. Kerin, District Manager of the Altoona District under the Credit Association of Western Pennsylvania, at Pittsburgh.

Mr. Kerin's connection with Association work dates back to 1926 when he started under H. M. Oliver, executive manager at Pittsburgh. He was graduated in 1923 from Duquesne University with the degree of Bachelor of Science in Economics. He served for two years as accountant and credit manager for an oil well and supply house before going with the Pittsburgh association. In his work under Mr. Oliver, Mr. Kerin made a close study of friendly liquidations and assisted Thomas C. Billig in some of the latter's research on this subject.

In March, 1929, Mr. Kerin opened the Altoona office and has since served as district manager. His office serves Central Pennsylvania from the Alleghenies to the Susquehanna River with traveler adjuster service, also with Credit Interchange. He has many of the larger business failures, through the cooperation of members in his district, and is especially proud of the high percentage of returns to creditors in these cases.

Character in a Talkie: "I love you, but dearest, I can't marry you just yet!"

Drunken Voice from the Audience: "Naw, o' course yuh can't. This is only the first reel."

Pahdon the southern accent

Gas Station Man: "How's your oil?"

Fresh Freshman: "Fine. How's *yo'* all?"

Collections— due and overdue

Some years ago, in prosperous times, we had the privilege of sitting in a group meeting of credit managers representing several different lines of business. It turned into a sort of "experience meeting." One young and very serious credit man spoke up about like this: "My rule is a simple one, it is 'If they owe us money, I get it if I have to choke it out of 'em!' "

An older and more experienced man rose to his feet. With a smile that took the sting out of his words, he said: "That's a fine rule, son. It's your job to get the money and guard credits, but it's also well to remember that there's a sight o' difference between the dead beat and the feller that's just up against a temporary jam. Unless you can recognize the difference you'll never make a real credit man."

Many times during these years of depression and confusion that remark of the old credit man has come to mind. This depression wasn't made by anyone in particular, but it has hit everyone, and it has drawn the lines pretty clearly between the chronic dead beats and the "feller that's just up against a temporary jam." Many a concern is building prestige and good-will by the judgment it is using in these times in dealing with the aforementioned "feller."

—*"Banker and Tradesman"*

Personnel changes

Changes in associations' personnel were announced in February by Executive Manager Heimann. Mr. James Smith, formerly Collection Manager for the Rochester Association of Credit Men, has become Collection and Adjustment Bureau Manager for the Philadelphia unit of the Service Corporation of the N. A. C. M. Mr. Charles J. Briggs has been appointed to succeed Mr. Smith as Collection Manager for the Rochester Association. Mr. Briggs has been assistant to Mr. Smith in Rochester for several years and prior to that time was engaged in credit and collection work for other organizations. His experience and training should therefore fit him to be a worthy successor to Mr. Smith. Mr. J. B. Cogswell has been named as assistant to Mr. Briggs in the collection work for the Rochester Association.

Your "finger on the pulse" is a Credit Interchange Report

Credit careers

E. G. LEIHY

There is an old saying: "Don't stop doing anything till you've done it, and when you've done it, stop."

Now and then, you run across a man who does just that. Given a responsible task to do, no matter how large or how intricate, he handles the job so completely that you can turn it around, upside down, and inside out, and each part is so well related and adjusted that you simply can't confuse it with anything else. It's the original assignment, signed, sealed and delivered.

"Erv" Leihy is that sort of a man, and out of a host of instances over a long period of years, we might cite the Northwest Conference at Portland, Oregon in 1932 as a good example of his thoroughness. Offering all the old difficulties in addition to a lot of new ones in a particularly difficult year, this important gathering of delegates from the Associations of our Northwest section—under "Erv" Leihy as general chairman—functioned one hundred per-cent from start to finish; not a detail misplaced; an item neglected; or a word ill-spoken. It was an entire success, an exceptional convention in every way.

He is the same about his own work. When he was made credit manager, he took the job apart, found out what made it tick and why. Then he put it together again and from that time forward he has known exactly what it's all about.

May we give briefly an outline of his past activities? After all, the things he has done are incidental to what he is: Veteran of Spanish-American War; A Mason—Scottish Rite—Shrine; in business—Accounting, Auditing, Credit Management; twenty-four years with Blumauer-Frank Drug Company, his present connection; member of first board of directors of its Adjustment Bureau; chairman of all important committees; member of representative civic organizations; chairman of first Trade Conference of Pacific Northwest Associations.

He never declines an appointment to an essential task or work that must be done. His acquaintances are legion and all are his friends.

In the Portland Association of Credit Men roster for 1916, appears "Erv" Leihy's picture as vice-president of the organization. The previous year he had been secretary; the following year he became president. Accompanying that picture was the quotation of his slogan: "Only payment in full completes the sale."

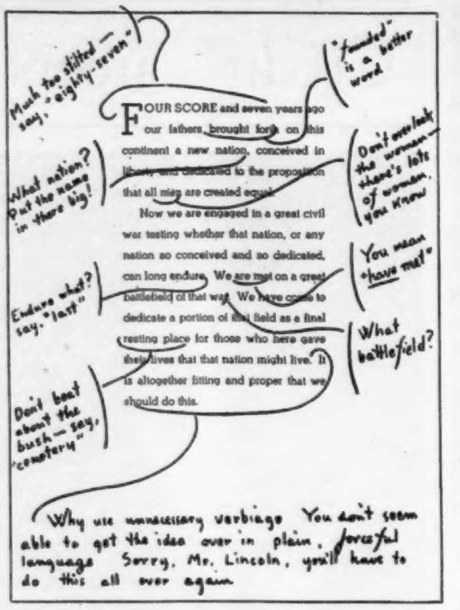
That's "Erv" Leihy of Portland.

Chain store legislation

In the present session of Congress, the Federal Trade Commission is expected to recommend chain store legislation as a result of its exhaustive investigation of the chain store industry, made pursuant to a resolution by the Senate. The final report of the Commission to Congress was summarized in a release on December 14th.

"It may be stated," says the Commission in making its report, "that the chief advantage enjoyed by the chain store is lower selling prices to consumers. These lower selling prices are largely due to a variety of factors which may be divided into two causes: first, those which appear to be amenable to ordinary governmental regulation and, second, those which would be amenable only to extraordinary governmental measures."

The report uses Census Bureau figures to show that in 1929 there were 1,543,158 retail stores in the United States with total sales of $49,114,653,269. Chain store organizations in the country, according to the same authority, numbered 7,061, operating 159,638 stores, or about 10 per cent of all retail stores in the country.



LINCOLN'S GETTYSBURG ADDRESS

As some of our "kibitzing" perfectionists might "clear it up" today.

Sales of these chains aggregated $10,740,385,208, or about 22 per cent of all retail stores. Nearly 20 per cent of each dollar spent in retail stores, by consumers, the report shows, went to chain stores, with a wide variation in the proportion of retail sales of chain stores in different states of the union, ranging from as low as one dollar in 14 in Mississippi, to one dollar in four of total retail sales in the District of Columbia.

Chains with 1,000 stores or more comprise less than 10 per cent of the total number of chains, but account for about one-half of the total number of chain stores and about 40 per cent of the total volume of chain store sales.

The report points out the tendency of chain stores to increase at a faster rate than independents; the new store opening rate is higher for independents than for chains, but the independent closing rate is nearly as high as the opening rate, whereas the chain store rate of closings is only about one-fourth that of openings.

Independent retailers in certain lines, the report states, have organized cooperative chains, largely for cooperative buying. Data gathered for 319 such cooperative grocery chains showed a membership of 43,141 independents at the beginning of 1930, with an estimated business in 1929 of more than $600,000,000. Data were gathered also for 24 cooperative drug chains with a membership of (Continued on page 44)

Saying "NO" with a smile

(*Cont. from page* 7) a more or less peculiar notion on the question you presented, which is this; if a prospective debtor is honest in his business intentions, he will not object to direct straightforward questions in reference to a contemplated purchase, and if he is dishonest we do not want his name on our books of record."

"However, I should write him along this line: We thank you for the order which you placed with us under date of "blank," and would very much like to make shipment at the time specified, but as is incumbent upon all well regulated business enterprises, we check on the subject of the financial risk which we would be accepting, and find it too great for us to assume. If you will send us a statement of your financial condition, and show us that our information is unfounded, we will be only too glad to complete out part of the contract.

"We regret the necessity of addressing you in this manner, but being a business man of your calibre, we know if our positions were reversed, you would follow the same method as we have taken in safeguarding your credits.

"You can gamble that if a business man objects to being questioned in this manner, that you are going to get stuck with the amount of his account sooner or later."

Credit and Fnancial Management is interested in the reaction of other readers to this problem and would welcome letters of three to four hundred words from its readers on how they handle this problem when they are faced with it.

Promotions

At the annual meeting of the board of directors of The American Insurance Company of Newark, N. J. held in February, C. Weston Bailey, formerly president, was made chairman of the board, and Paul B. Sommers, formerly vice president, was elevated to the presidency. Similar action had been taken at the organization meeting of The Columbia Fire Insurance Company of Dayton, Ohio, one of its Fire Company affiliates, in January, and is expected to also become effective in the Dixie Fire Insurance Company of Greensboro, N. C., the other Fire affiliate, at its annual meeting in March. H. P. Jackson continues as president of the Bankers Indemnity Insurance Company of Newark, N. J., The American's casualty affiliate.

Lectures on corporate reorganization

The Wall Street Centre of New York University announced for the second semester a course in CORPORATE REORGANIZATION AND RECONSTRUCTION. The class meets upon Monday evenings from 5:15 to 7:00 at the Wall Street Centre, 90 Trinity Place beginning Monday, February 11th.

The course covers a discussion of bankruptcy and corporate failure, detecting failure tendencies, writedowns and recapitalizations, receiverships and the financial problems involved in the rehabilitation of plants and markets. The problem of reorganization and the investor, current developments in the field of bankruptcy and reorganization legislation together with a number of pending reorganization plans are also considered.

Dr. Louis P. Starkweather, Associate Professor of Finance, who will have charge of the course recently contributed an article on the subject of bankruptcy and corporate failure to Credit and Financial Management.

Insure profits in 1935 with Credit Interchange Reports

Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

Fire-loss manual

The United States Government owns property to the extent of several billion dollars, the safety of which, as of its employees and wards, is dependent on the extent to which fire hazards are eliminated or safe-guarded, the National Bureau of Standards, Department of Commerce, stated recently in making public a manual of fire-loss prevention prepared under the auspices of the Federal Fire Council.

Available records indicate that the fire loss on Government property is as large proportionately as on comparable privately-owned property, it was stated. As an aid in improving existing conditions, the Federal Fire Council was organized a few years ago to afford contact between Government establishments on matters pertaining to fire loss prevention.

By means of committee activities including inspections of typical properties, meetings of the main group, and dissemination of reports and other informative material, the Council aims to maintain a continuing interest in all subjects tending to reduce the Government's fire loss.

A publication sponsored by this group entitled "Manual of Fire Loss Prevention of the Federal Fire Council" has just been made public by the National Bureau of Standards. Copies are obtainable from the Superintendent of Documents, Washington, D. C. at 20 cents each, payable with the order.

Within its pages are presented in concise form the principles on which fire resistance classifications of building types and building materials are based, general methods of controlling the spread of fire by structural provisions, application of appropriate types of fire extinguishing equipment, and general fire prevention measures introduced in the management routine for services and properties.

Survey shows N. A. C. M. members place millions in insurance premiums

In addition to passing upon credits involved in the many hundreds of millions of dollars in the annual business turn-over of their firms, most credit executives also are charged with the added responsibility of buying their firms' insurance protection. This is one of the facts brought out by the survey in insurance buying practices just completed by Credit and Financial Management which is based upon a large number of questionnaires filled out by members of the National Association of Credit Men.

The survey shows that 84% of the members of our organization are in charge of the insurance purchases of their respective firms. Indicative of the importance of the credit executive in the insurance purchasing picture, is the figure revealed by the Association's survey to the effect that its members purchase insurance entailing an annual investment of $163,000,000 in insurance premiums.

The survey is based upon tabulations of answers received from a sufficient number of our national credit men's organization to afford a reliable cross-section of the whole membership. Five thousand questionnaires were mailed to members in forty-five cities scattered through the country. Of this number 27% replied, but as it was found that the relative ratios held on the whole number of replies, the first 1096 which classified as wholesalers or manufacturers were used as the basis of the tabulations.

Responses from bankers, retailers, utility companies and others not definitely in the wholesale or manufacturing field were eliminated. Of the 1096 replies considered, 607 were from manufacturers and 489 were from wholesalers. (*Cont. on page* 39)

Insurance backs credit

That insurance is being looked upon as a back stop of credit in their dealings with their customers was indicated when 30% of those queried reported that they insist or request that their customers have proper coverage on fire protection. Some also looked to other forms of insurance in this connection, as for example, 10% recommended windstorm coverage to their customers, and some other lines scored as high as 4% or 5%.

One of the items covered in the survey is of special interest to managing executives of insurance companies. Approximately 50% reported buying their insurance from more than two agents or brokers while the number confining their insurance to but one agent or broker was but 31%. The survey indicated that 70% have had insurance surveys made, while of the unsurveyed 30%, a desire for such a survey was indicated by 33%.

That the insurance survey is a valuable service to the large wholesale or industrial corporation is indicated by the showing that 35% of those who had such surveys made, reported they received rate reductions. It is assumed that these reductions were brought about in improvements in the fire hazards which would automatically bring reduction in rates.

Fire Insurance is carried by all but 4%. This small group is made up for the most part by those firms who follow the practice of setting aside special reserves with which to carry their own insurance. However, only 44% carry windstorm insurance, and but 35% have protection against explosions or fires which might result from explosions. Riot, strike and civil commotion coverages are reported by 29% of those answering.

All members admitted that they needed auto fire and theft protection, but only 52% have the coverage, whole only 30% are protected against collision. In the truck field the figures are more favorable. Of the 75% who say they own or operate trucks, 87% have truck fire and theft coverages and 36% have truck collision policies.

Few cover rail shipments

The Inland Marine lines show that of the 91% shipping by truck, only 16% have truck shipment insurance. Salesmen's sample coverage is carried by only 10% of the 60% (*Cont. on page* 43)

"How we do it"

(*Cont. from page* 17) Department so as to provide for change if the account carries branded line; (4) for Accounting Department so as to make proper record on ledger sheet.

Accounting Department, after making proper record on ledger sheet will refer to Stock Department so as to cancel any unshipped portion of order, if there be any.

In addition to this, I might add that where orders are for seasonal requirements and are placed in advance, orders are passed upon twice by Credit Department. First, so that Manufacturing Department may provide for their manufacture and then final passing when the merchandise is to be shipped and the Credit Department is satisfied as to the worthiness of the merchant for the purchase.

If after processing of an order a change takes place in the credit status of an account, the Sales Department and salesman are notified and the manufacturing department receives a copy of notice:

"Please cancel from all records the order of..............................

..

If already in process, place merchandise in stock, subject to resale."

I might add further that if an order for new goods is held pending receipt of check, the account is marked in pencil "Order Holding" and immediately upon receipt of check the Accounting Department notifies Credit Department of same so that the order will then receive proper attention.

A century ago the average man is said to have had 72 wants, of which 16 were regarded as necessities.

Today, the average man is said to have 484 wants, 94 of which are regarded as necessities.

A century ago, 200 articles are said to have been urged upon the average man by salesmanship. Today 32,000 articles are so urged on us.

—*Harry Emerson Fosdick*

Enough?

Two darkies were talking about the depression. "Boy," asked one, "what would you do if you had all de money in de world right now?"

"Well, suh," replied the other, "Ah reckon I'd pay hit on mah debts—fah as it'd go."

In the modern office

An idea and experience exchange on equipment, system and management in the modern credit and business office.

Air conditioning

Westinghouse Research Laboratories have taken a further step forward in perfecting air conditioning technique. The new method is based upon the principles which govern the way our bodies keep warm or cool. Through radiation, body heat passes through surrounding space and is absorbed by cooler objects such as walls, furniture, etc.

Body temperature is about 98 degrees. One's clothing is about 80 degrees. By preventing radiation losses from the body, comfort is attained even if the incoming air is cold.

Westinghouse Laboratories have built a demonstration room in which the walls are heated or cooled by inlaid electric wires or concealed water coils. In summer windows may be left open and yet room occupants will feel cool. In winter, no discomfort results from wide open windows.

While the new method is still in an experimental stage, it seems to present no technical obstacles.

During a two-day conference on industrial disease, held last November by the National Bureau of Casualty and Surety Underwriters, Dr. Alice Hamilton, professor of industrial medicine at Harvard said: "It is the air the man breathes which can do the most damage to him, and the responsibility for its cleanliness and purity is up to the management. If I could not have both cleanliness and air, I should be perfectly willing to allow men to work in utter filth, to dispose of all the luxuries of plant sanitation, provided the air breathed were clean and pure."

Visitors

Some executives use the following simple method for ridding themselves of a caller who is staying too long. Their secretaries are instructed to interrupt every visit by entering the executive's office at the end of ten minutes. On the executive desk are three ordinary books in different colored bindings, say red, green and blue. If the interview is to be terminated immediately, the red book is placed on top of the green book. If an "important interruption" is to occur ten minutes later, the blue book lies atop the red and green. If no interruption is desired, the green book is on top. The same system can be worked with three pencils or other convenient objects. Generally, the material for the interruption is agreed upon in advance —a request from the president, an important conference or some other matter requiring the executive's immediate attention. This simple system, while not new, is very useful in freeing yourself from visitors who don't know when to leave.

Law lags behind business

That law lags behind the practice of business is especially true in connection with the relationship of law to the practices involved in the marketing of manufactured products, was the opinion of Harry R. Tosdal, professor of marketing in the Harvard graduate school of business administration, given in his address before the Boston Conference on Distribution (October 1934), and published in the report of that Conference.

The Uniform Sales Act ignores certain phases of the manufacturer's interest in his products in modern practice. There are four principal phases of a manufacturer's interest in his goods after they are sold and payment received, said Professor Tosdal, (1) consumer satisfaction resulting in repeat sales, (2) originality of style and design, (3) sale at profitable prices, and (4) method of resale. The manufacturer's interest is not recognized by law.

(1) Legally the manufacturer has no responsibility for his goods after a sale to the first purchaser, but practically his guaranties to consumers are of great importance.

(2) Manufacturer's interest in style and design. This problem has three divisions: (a) standardized industrial products in which design is secondary and changes are slow and at long intervals; (b) products in which design and good taste are more important but changes are slow and at irregular intervals; (c) highly styled products in which designs change every few weeks or months.

(3) Manufacturer's interest in resale price. This subject is highly controversial. Neither common law nor the Uniform Sales Act contemplated his control of resale price in case of bona fide sales. Manufacturers and retailers who advocate retail (*Cont. on page* 47)

Congressional legislation

(*Cont. from p.* 15) the Federal Reserve System in several respects; to change the insurance rate of the Federal Savings and Loan Insurance Corporation from one-fourth of one per cent to one-eighth of one per cent; and to facilitate the organization of National Mortgage Associations under the FHA.

To further stimulate business credit, one section of the HOLC bill would extend the FHA's installment credit insurance plan to loans for improving industrial and commercial buildings, including factories, hotels and apartment houses, and for installing new machinery and equipment. Loans up to $50,000 each would be insured up to 80 per cent of their face on the same basis that home and office modernization loans of less than $2,000 are now being insured by FHA.

The RFC bill, rushed through Congress in time to prevent the lending power of the Corporation from expiring on February 1, extends the life of this agency until February 1, 1937, and also makes a number of changes in its powers, the more important dealing with railroad reorganizations, extending the lives of the Commodity Credit Corporation and the Export-Import Bank of Washington, increasing the amount of stock and notes of insurancee companies which the RFC may hold, and permitting the Corporation to aid in financing National Mortgage Associations created under the Federal Housing Administration.

The most significant change in the RFC's powers concerns direct loans for industrial purposes. In order to increase activity in this field, the industrial loan section of the law was liberalized principally by permitting loans to be made

when "so secured as reasonably to insure repayment," whereas the original law permitted loans only on "adequate security." The effect of this change will depend largely on the way in which the law is administered. The RFC was also given power to make loans either directly or in cooperation with banks to companies or organizations financing the sale of electrical, plumbing, or air conditioning appliances or equipment or other household appliances, up to a total of $300,000,000. Another special provision permits loans to companies engaged in mining, milling, or smelting ores. Several other minor amendments were included in the RFC bill. No new funds are authorized for the RFC, but all of its collections are to go into its general revolving fund which is calculated to be large enough to meet all its requirements.

The "baby bond" act was put through Congress with unexplained haste, and plans were started at once for printing and marketing this new type of government security. Designated as United States Government Savings Bonds, the new certificates are being issued in denominations between $25 and $10,000. Maturity is permitted to range from 10 to 20 years. They will be non-transferrable and will not bear coupons, but will be sold at a discount calculated to give a return of not more than 3 per cent compounded semi-annually. The Post Office Department will aid in sale of the baby bonds, and a big publicity drive was planned. This scheme relieves the government somewhat of its dependence on banks for financing by permitting it to go directly to the general public with its bond issues, and it also may have the effect of giving a great many voters a personal interest in the condition of the federal budget and in inflationary moves. Its effect on savings deposits is problematical.

This same bond law increased the total borrowing power of the Treasury to $45,000,000,000. Since the World War there has been a limit on the amount of bonds which may be issued but no allowance was made for refinancing. The law now permits up to $25,000,000,000 of long-term bonds to be outstanding at any one time, and $20,000,000,000 of Treasury notes, certificates, and bills. This will permit refinancing operations to take advantage of favorable interest rates and also relieves the Treasury of reliance on short-term paper for much of the public debt.

Grow with Credit Interchange Reports in 1935

Answers to credit questions

Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in Credit and Financial Management. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

Bad check laws

Q. A in Kansas City, Missouri, owes B an account for goods sold and delivered. B tried to collect and failed. A then seeks to place an order with B's salesman who refuses to accept the same until the past due indebtedness is cleared up. Whereupon A gives B's salesman a check covering the old account, places an order which B, relying on the check, fills, and the check is returned N.S.F. Under this statement of fact is A guilty of any crime under the bad check laws?

A. A good many states hold that a bad check, given for a past due indebtedness is not a violation of the bad check laws of the states. However, the matter is statutory and in Missouri, Section 3553 of the Annotated Revised Statutes of 1927 amended the act so that the penalty attaches where the check is given "for the payment of a past due debt or any other obligation of whatsoever form or nature." However, there must be present an intention to defraud, and if this element can be proven in the above state of facts, the giving of the check in question is a misdemeanor under the Missouri Statute.

Taxation

Q. A, the taxpayer, bought eight shares of stock for $90.00 a share. He later received eight rights, giving him for each share held the right to subscribe for two additional shares of the stock for $100.00. At the date of record the stock was valued at $170.00 a share without rights and the rights were valued at $35.00 each. Four of the rights were sold at $36.00 each and four were exercized by being turned in with $200.00 for two additional shares on a basis of $175.00 a share. How would he compute these sales so as to include the results therefrom in the amount of gross income to be taken as a basis upon which to compute his income tax return.

A. Where a corporation issues to its stockholders the rights to subscribe to stock, the value of the right does not constitute taxable income but a gain may be derived or a loss sustained by the stockholder from the sale of such right. Consequently, the original cost of the eight shares, $720.00, must be divided between the eight shares and the eight rights in accordance with their respective values, that is, eight times $170.00 against eight times $35.00 which would come out at the basis of 34 to 7.

Summing up, the basis of the eights shares would be $597.07. The basis on the eight rights would be $122.93. Computing the tax, provided the sales are all made within the same taxable year, we do it as follows:

Selling price:	
Four shares	$ 144.00
Ten shares	1750.00
Total	$1894.00
Basis:	
Cost of eight shares....	$720.00
Additional outlay for two new shares..........	200.00
Total basis	$920.00

Total profit to be added to gross income $974.00.

For the benefit of those reading the answer to this question who may not know what constitutes a right for the purpose of taxation, it includes (1) the inherent privilege of the stockholder to subscribe proportionately for issues of stock in the same company before the privilege may be extended to others; (2) the privilege given a stockholder to subscribe to stock in a second corporation and (3) a privilege given a stockholder to subscribe for bonds of another corporation.

Conditional sales—recording

Q. Does any record of a conditional sales contract have to be filed in the State of Wisconsin? If so, what is the law concerning the recording?

A. The law is contained in the Wisconsin statutes and is as follows:

"The original contract or a copy thereof must be filed within ten days after the contract is entered into as against an innocent purchaser or a creditor with an attachment as against others, original or copy may be filed within a reasonable time.

"The filing is done in the office of the Register of Deeds of the county where the goods are first kept for use by the buyer, provided that no such contract shall be filed in the office of the City Clerk in first-class cities unless the debt secured is $5.00 or more. If attached to realty the contract should be filed in the office of the County Register of Deeds in the county where the realty is situated. In counties having a population of 250,000 or more the contract is filed in the office of the city, village or town clerk, and also entered in the tract index, where one is kept.

"The filing is good for three years and a fee of fifty cents is charged."

Insurance

The volume of group insurance held in this country has increased since it was started in 1911 to an estimated total of nearly 10 billion dollars at the end of 1933, according to a recent study by the National Industrial Conference Board. The records of eight of the large life insurance companies, which have written more than 90 percent of all the group policies in force, showed that the total number of policies in force in those companies at the end of 1933 numbered 15,125 and covered 4,487,377 persons. In addition to straight life insurance, which was first written under the group plan, there has been a development in the field of group policies covering accident and health insurance and annuities guaranteeing a retirement income to employees during their old age.

Unemployment

The Virginia Commission on Unemployment Insurance has reported favorably on the enactment of such a law in that State. The commission presented a tentative bill calling for contributions by the employers alone, with the fund formed by the employers' contributions to be administered by the State department of labor and industry. The commission estimated that the burden on industry of such a system would amount to less than one-half of 1 percent of the value of the products of the industries covered and to less than 1 percent of the value added by manufacture.

Insurance survey

(*Cont. from page* 39) who have a hazard. Rail shipment is a little better with 12% of the 87% of the members who ship by rail saying they have the protection. Parcel post insurance (not Government) is carried by 39% of the 76% of those who say that they use the mail for shipping purposes.

The Casualty & Surety lines find workmen's compensation and employers' liabilities lines heading the list with 91% reporting that they have this protection. In many of the more progressive states, this sort of protection is now required, either through insurance coverage, special cash reserves or through the state insurance funds.

Of those saying they have employees driving cars on company business, 73% have auto property damage and public liability coverages. Of the 75% reporting that they own or operate trucks, 97% carry truck public liability and property damage insurance. Of the 75% who have employees driving their own cars on company business, 64% have non-ownership auto public liability protection.

While 52% reported that their places of business are equipped with sprinklers, 17% of them are not covered by insurance. And of the 63% owning manufacturing machinery or heating or power boilers, 25% have no protection. Thirty-six percent carry individual fidelity bonds and 28% schedule fidelity bonds. Robbery, burglary and hold-up policies are carried by 58% of those who have the risk and forgery and check alterations policies are purchased by but 41% of those questioned.

The questions on business Life insurance reveal much interesting information and indicate that this sort of protection is being given considerable consideration among the more progressive business firms. For example, 42% reported having group life policies, and 32% indicated they were investing in partnership or firm executive policies.

The amount annually invested in insurance premiums by firms who are members of the National Association of Credit Men is more than $163,000,000 in the coverages they report carrying. Considering the large number unprotected in the various fields of insurance, together with the (*Cont. on page* 47)

Grow with Credit Interchange Reports in 1935

Chain store legislation

(*Cont. fr. p.* 36) 6,041 independent retail stores in 1929.

While there have been no court decisions on the extent to which chain stores are engaged in interstate commerce, the report says, "there is good reason to believe that federal jurisdiction would be upheld as to many phases of chain store operation." Competition in the grocery trade "would seem to negative monopoly by any individual chain, and the same is true as to larger chains in the drug group. . . . Investigations by the Commission from time to time have failed to disclose reason to believe that there have been violations of Section 7 of the Clayton Act by chain stores of the grocery group." The inquiry failed to disclose agreements, conspiracies, or combinations in restraint of trade.

Prices and recovery

Some of the major obstacles to industrial recovery have been removed by price changes of the last eighteen months, according to a report issued by the National Bureau of Economic Research. The disruptive effects of the price decline that extended from 1929 to the winter of 1932-33 have been slowly corrected, and although the price level today is still well below that of 1929, the relations among the prices of different classes of commodities have improved substantially. Some of the wide inequalities which impede the movement of goods in domestic trade have been materially reduced.

Professor Frederick C. Mills of Columbia University, who prepared the report, the fifth of the 1934 series of National Bureau Bulletins, under the title "Changes in Prices, Manufacturing Costs and Productivity, 1929-34," points out that the recovery in prices that dates from the low point of March 1933 tended to restore earlier relations through a rapid advance of the more seriously depressed prices.

The reaction during the autumn of 1933 reversed this tendency since there were relatively greater increases in prices already high. However, the price index numbers compiled by the National Bureau under the direction of Dr. Mills indicate that "the price movements of the last twelve months have definitely operated, in every major category, to lessen the disparities in the price system.

"Advancing raw material prices have enhanced the purchasing power of raw material producers. The margin representing costs of fabrication has been reduced. The obstacles to activity in the capital goods industries created by the persistence of exceptionally high prices among building materials and articles of capital equipment have been partially overcome.

"A situation that looked black twelve months ago, because of the apparent check suffered by forces of readjustment, bears a brighter aspect now.

English Version

Mrs. Kent: "Is your tea sweet enough, Mr. Southern?"

Mr. S.: "Well, not quite, Mrs. Kent."

Mrs. Kent: "Won't you have a lump of sugar?"

Irish Version

Mrs. O'Brien: "An' how's yer tay, Mrs. Murphy?"

Mrs. Murphy: "Sure oi cud be da'en wi' some more sugar, Mrs. O'Brien, thank ye."

Mrs. O'Brien: "Here's the bowl, help yersel."

Scottish Version

Mrs. Macdonald: "Phat's wrang wi' ye, Mr. M'Pherson, ye're no drinkin' yer tea?"

Mr. M'Pherson: "It's no sweet eneuch, Mrs. Macdonald."

Mrs. Macdonald: "Have ye stirred it?"

Physical activity still lags, it is true, and such activity is the final index of economic health. But some important obstacles to the renewal of physical activity in the production and distribution of goods have been removed and others have been reduced. Ameliorative tend ncies have been at work in the complicated structure of prices. In this there is ground for hope."

Other evidence of substantial gains in the purchasing power of important economic elements is found in the records for important producing groups. Estimates for 1934, based upon such data as are now available, indicate that price and production factors have combined to increase gross income for producers of raw materials, for manufacturing producers and for construction industries.

Among farm producers price gains have offset production losses, and among railroads a modest gain in traffic has been more than enough to offset a slight decline in average price per unit of service rendered. Without exception, among these five groups, 1934 gross incomes promise to exceed those for 1933.

Profit & Loss account:
If you try to get even with your enemies, you are liable to get behind with your friends. —Paul A. Barkuloo

"Oh, build me a home!"

"The typical American home may be described as a single family dwelling, about 19 years old, of wood or frame construction, containing 5 rooms," said Nathanael H. Engle, Assistant Director, Bureau of Foreign and Domestic Commerce, in an address before the American Statistical Association, recently, on housing conditions in America as revealed by the Real Property Inventory.

"It is equipped with either bathtub or shower, indoor water closet, uses electricity for lighting and gas for cooking. For the country as a whole reliance is placed predominantly upon heating stoves for heat, although over 31 percent of all dwelling units use warm air furnaces. Coal is the principal fuel used."

Indicative of the importance of the Inventory to manufactuurers and distributors of materials and equipment used in building and furnishing the American home were the differences pointed out by Mr. Engle in the mechanical equipment and sanitary facilities of owner-occupied homes and rented dwellings. For example, he said, nearly 21 percent of the owner-occupied homes were equipped with mechanical refrigeration in contrast with little more than 14 percent of the rented homes. Only in the Pacific Coast cities studied was this relative position reversed. Similar advantages in favor of owner-occupied homes were found in the use of electricity and gas for lighting and cooking.

The absence of sanitary plumbing on a larger scale than is commonly real-

Grow with Credit Interchange Reports in 1935

ized is amazing, Mr. Engle said, in view of the fact that only cities were included in the survey, which was reported in "Domestic Commerce."

Of 860,465 single family homes reported on by their owners, 29 percent fell into a value class with a midpoint of $4,000; nearly 18 percent were in the next lower class with average value of $2,500; while 17 percent were in the next higher class with average value of $6,250. Only 12 percent of the homes were valued at $7,500 or more as compared with 24 percent valued at less than $2,000. Of these 860,465 single family owner-occupied houses in the 64 cities covered, 54 percent were mortgaged. The ratio varied from city to city, the range being from 16 percent in Frederick, Maryland to 76 percent in Waterbury, Conn.

No complete answer, Mr. Engle said, can be given to the question of how adequately the American people are housed, until a complete census of housing is taken. However, the data collected indicate a social need for more housing as well as an economic demand, the latter due to the fact that 183,200 or 7 percent of all families included in the survey are "extra" families who are residing in the homes of other families, and who, according to their own statements, would set up separate establishments of their own as soon as conditions improved.

Wholesale trade rises

Wholesalers proper, who did 40.5% of wholesale business in 1933 are estimated to show an increase of their dollar sales in 1934 over 1933 by 13.5%. This classification of wholesalers proper consists of more or less regular wholesalers in domestic and foreign trade who take title to the goods they buy and sell and are largely independent in ownership, according to the Bureau of the Census.

"Domestic Commerce" reports that $14,700,000,000 for 1934 estimated sales compare favorably with actual sales of $12, 959, 000,000 for a comparable group of organizations in 1933.

Based upon the most reliable wholesale trade statistics currently available for the first eleven months of 1934, each kind of business, classified by major trades, increased its sales in 1934 over 1933. While the general trend of wholesale sales in 1934 was upward, the rate of increase varied among the different trades. Estimated sales of wholesale distributors of automotive products in 1934 were 26% over those of 1933. Sales of distributors of farm supplies, on the other hand, were only 2% greater than those of the preceding year. Other trades with substantial increase in 1934 over 1933 are: clothing and furnishings, drug and drug sundries, electrical goods, and farm products for immediate consumption.

The decline in the dollar sales of wholesalers proper from the high point of 1929 has been definitely checked according to the 1934 estimates, although the sales of wholesale distributors of farm products and groceries and food items recovered one year earlier. By 1934 estimated wholesale sales in the 25 major kinds of business as classified by Wholesale Census showed unmistakable signs of recovery.

Using the 1929 actual figures as 100, total sales dropped to 46 (estimated) by 1932 and to 44 (actual) by 1933. Although the 1934 figure is only 50% of that of 1929, it indicates a better year for wholesalers proper than either 1932 or 1933. Particular attention is called to the relative decline in sales for 1929-1933 among the various trades. The greatest decline between these two periods was accounted for by lumber and building materials (23%), metals (except scrap) (20%), jewelry (31%), plumbing and heating equipment and supplies (33%), farm products in raw materials (38%), and electrical goods (39%). Much of the merchandise distributed in these trades is of the heavy or durable character.

The United States Census of Wholesale Distribution taken in 1929 and in 1933 provides an opportunity to estimate sales for various trades in the intervening years not reported. The reliability of the methodology in arriving at these estimates has been tested. Graphic comparisons and correlations of wholesale sales with general business indexes, which reflect the fundamental conditions of an industry, served as a basis for determining the probable course together with a rate of change in each trade.

Hotel Clerk: "Shall I have the porter call you in the morning?"

Guest: "No; I always wake up promptly at seven."

Hotel Clerk: "Then would you mind calling the porter?"—*Ampinco Pete.*

Court decisions

IN THE MATTER of Federal Silk Hosiery Works, Inc., Bankrupt 68 Fed. (*2d*) *899; 25 A. B. R.* (*N. S.*) *77.*

APPEAL from the District Court of the United States for the Eastern District of New York.

From an order denying a petition to review the decision of a referee in bankruptcy approving the appointment of William T. Simpson as trustee in bankruptcy of Federal Silk Hosiery Works, Inc., Kaumagraph Company and other creditors appeal. Reversed.

PROOF and allowance of debts and claims—proof by secured creditors—form and sufficiency of proof—proof of claim for deficiency on chattel mortgage held insufficient.

Proof of claim for deficiency on chattel mortgage is insufficient where it merely states that the bankrupt, at the time of filing petition was indebted to the claimant in the sum of $19,500, the consideration of which debt being a "deficiency on chattel mortgage, on obligation under bond, goods, wares and merchandise sold and delivered to the said bankrupt at the special instance and request of the said bankrupt, at the agreed price and reasonable value set forth in the annexed statement which is made a part hereof" and that the claimant had not received any security for said debt, whatever, there being no statement as to who executed the chattel mortgage when it was executed, whether it was filed, what property it covered, or how the alleged deficiency was arrived at. The insufficiency of such proof was not supplied by an unverified letter of claimant's attorneys setting forth the property covered by the chattel mortgage, but not showing that the claimant was the mortgagee, when and where the sale was made, or the value of the chattels.

(See Collier, 13th Ed., pp. 1111(4), 1128 (d), 1134 (i), 1143(1); Am. B. R. Digest, §§ 736, 787.)

TRUSTEE—appointment by creditors—who may vote—claim must be voted by creditor or person holding power of attorney.

Person holding power of attorney to vote claim at election of trustee may not authorize some other person to vote the claim.

(See Collier, 13th Ed., p 1113(c); Am. B. R. Digest, § 315.)

F. O. LAMB, receiver of the Huntington Banking nd Trust Co., Appellant, v. E. V. Townshend, trustee in bankruptcy of R. R. Smith, Bankrupt, Appellee.

APPEAL from a turnover order made by the District Court of the United States for the Southern District of West Virginia directing the receiver of an insolvent state bank to surrender to the trustee in bankruptcy the amount of funds belonging to the bankrupt estate which are on deposit with the bank. Reversed.

JURISDICTION, procedure, evidence and rules—question of summary jurisdiction over adverse claimant depends upon whether claim is meritorious or merely colorable.

The question whether a bankruptcy court has jurisdiction to proceed summarily against a receiver of an insolvent state bank to recover deposits of bankruptcy funds depends upon whether the adverse claim of the receiver to the assets of the bank in his possession is substantial and meritorious or merely colorable and fictitious.

SUITS and actions by and against trustee —summary proceeding or plenary suit—bankruptcy court may not summarily order receiver of insolvent state bank to surrender bankrupt estate deposits.

A bankruptcy court, without tracing into assets which have come into the hands of the receiver of an insolvent state bank the bankruptcy funds deposited with the bank, cannot summarily order the receiver, out of the general assets in his hand, to pay the trustee in bankruptcy an amount equal to the bankruptcy deposits, to the prejudice of other creditors of the bank having an interest in such assets.

ADMINISTRATION, settlement and distribution—deposit of bankruptcy funds creates mere indebtedness on part of bank.

The deposit of bankruptcy funds in an authorized depository ordinarily vests the ownership of the funds in the bank and creates a mere indebtedness on the part of the bank to the trustee making the deposit.

SAME—deposit and payment of funds—liability of solvent depository may be enforced in summary proceedings.

Even though a mere indebtedness be created by the deposit of bankruptcy funds with a designated depository, so long as the depository remains open and solvent, its liability can be enforced in a proper case by a turnover order in a summary proceeding, just as in the case of any other wrongful withholding of property to which the trustee is clearly entitled.

APPELLATE jurisdiction and procedure—appeal—proceeding by trustee to recover funds from receiver of insolvent depository is a "controversy arising in a bankruptcy proceeding."

A proceeding instituted by a trustee in bankruptcy for the recovery of bankruptcy funds from the receiver of an insolvent state bank, to which the latter asserts an adverse claim, is a "controversy arising in a bankruptcy proceeding," and an order made therein must be reviewed by appeal under section 24a of the Bankruptcy Act.

HALBERT H. McCLUER, trustee in bankruptcy of W. C. Mullins Construction Co., Appellant, v. Heim-Overly Realty Co., Appellee. 71 Fed. (*2*) *100; 25 A. B. R.* (*N. S.*) *656.*

APPEAL from judgment of the District Court of the United States for the Western District of Missouri in favor of the defendant in a suit by a trustee in bankruptcy to recover alleged preference. Affirmed.

LIENS—assignment of accounts may constitute valid liens if recognized by state where made.

Assignments of accounts may be made and constitute valid liens thereon if recognized by the law of the state where made.

FRAUDULENT transfers—preferences—validity of assignment of accounts depends upon dominion over accounts reversed to assignor.

Whether an assignment of accounts has the effect of a lien so as to avoid the charge of being fraudulent or constituting a preference depends upon the extent of dominion over such accounts, and over the proceeds therefrom, permitted the assignor either by the instrument of assignment or by the conduct under the assignment permitted by the assignee.

LIENS—assignments of collateral—assignment of moneys due on construction contract, with provision for special deposit and use for labor and material only, constitutes valid lien.

An assignment of any and all moneys to be derived by reason of performance of work under municipal contract, with provision for special deposit in bank in which representative of assignee was a director and officer, and further provision for use only in paying for labor and materials, constitutes a valid lien.

SAME—assignments of collateral—assignment of "estimate due us" is sufficiently specific.

An assignment by a construction company of "the estimate due us for the construction of the Blue River sewer," is sufficiently specific.

SAME—assignments of collateral—consideration—assignment made to replace lost assignment is supported by consideration for lost assignment.

Where the sole purpose of assignment of moneys due under a municipal construction was to replace a lost assignment, it is supported by all of the consideration behind the first assignment.

SAME—assignments of collateral—revocation of assignment—assignment of moneys due under municipal contract is not revokable by assignor.

An assignment of moneys due under municipal construction to secure assignee for moneys advanced to enable assignor to make bid, obtain surety, labor and materials, is not revokable by the assignor.

SAME—assignments of collateral—revocation of assignment—assignment of moneys due on city contract is not revoked by suit against city.

As assignment of moneys to be paid under a municipal contract is not revoked by a suit brought against the city by agreement with the city and the assignee as a method of determining the amounts due on the contract.

PREFERENCES—payment within four months on valid pledge created more than four months before bankruptcy is not preference.

Where valid lien was created by assignment of moneys due on municipal construction contract more than four months prior to the assignor's bankruptcy, payment under such assignment within the four months period did not constitute a voidable preference.

J. M. & L. A. OSBORNE CO., Appellant, v. Hugh Wells, Appellee. 69 Fed. (*2d*) *970; 25 A. B. R.* (*N. S.*) *606.*

APPEAL from an order of the District Court of the United States for the Northern District of Ohio, Eastern Division, declaring a chattel mortgage void as to the trustee in bankruptcy of the mortgagor. Affirmed.

Real cost of bankruptcy

(*Continued from page* 21)
(1) Creditors should ascertain before extending credit whether the applicant's business is fundamentally and economically sound.

(2) Creditors, before extending credit should assure themselves of the debtor's qualified and competent management on the basis of a sound appraisal of his character, capacity and capital resources. And to a disinterested outside observer, the Credit Interchange report seems indispensable.

(3) Over-extension of credit leading to overselling and overstocking of the debtor should be discouraged and in so far as this represents the cause of bankruptcy and failure, the creditor himself is largely to blame for his heavy losses.

(4) Creditors should concern themselves to a greater extent in bankruptcy proceedings both individually and collectively.

(5) The use of bankruptcy and reorganization measures as a convenient method of discharging debts must be discouraged.

(6) "Racketeering" in bankruptcy practice must be eliminated by creditors insisting upon:

(a) A thorough examination of the bankrupt.

(b) The conviction and prosecution of fraudulent debtors and their attorneys with refusals of discharge to the undeserving.

(c) Adequate representation in the control of the bankrupt's estates in the hands of honest and efficient agencies.

(7) Creditors should insist that receivers and trustees appointed in bankruptcy proceedings are honest and capable individuals. To this end why not demand the same high standard of qualification through examination and licensing as prevails in the case of doctors, certified public accountants and lawyers?

Insurance survey

(*Cont. from p.* 43) number under-insured, there is indicated an additional market in this field of many more millions of dollars in annual premiums. The average annual premium paid by manufacturers as shown by the survey was $11,244 and for wholesalers $2,763. Forty-six per cent expend up to $3,000 yearly in annual premiums for insurance, while 27% reported paying from $3,000 to $5,000 and 25% were classified in the group investing from $5,000 to $50,000; only 2% were registered in the class who invest from $50,000 and up per year in insurance premiums.

Law trails business

(*Cont. from page* 40) price maintenance expect stability of profit and greater volume. They wish to eliminate undesirable competition. Consumers seem to oppose it. There have been abuses of it but the remedy is not clear. The law has not taken account of the type of arrangements that have been developed.

(4) Manufacturer's interest in resale methods. His interest is not recognized by law. He makes large advertising outlays, he knows his product and he believes that the resale methods he proposes will claim more of the retailer's time and so afford greater volume of sales and greater sales stability. He may offer resale help or may resort to compulsion for cooperation.

Professor Tosdal went on to explain that the consumer is benefited by the *manufacturer's interest in guaranty* if it brings about improvement in products and maintenance of quality. The consumer is benefited by the *manufacturer's interest in design* if it brings about betterment of design, improvement of style, and the development of more satisfactory products. The consumer's benefits from *manufacturer's interest in price maintenance* are doubtful. The benefit to the consumer from *manufacturer's interest in resale methods* must be judged in each case by the purposes, methods and results. It may result in more economical distribution.

"I suggest," said Professor Tosdal, "that we view these detailed problems as phases of the board relationship between manufacturers, distributors and public. Only in that way can we get the perspective needed as a basis for fundamental legal changes and for temporary statutory experiments which may be advocated. With such clarification not a little of the nerve-wracking friction in our marketing system will be removed."

Cooperation

(*Cont. from page* 9) sold to Mr. Ellzey, as was likewise his real estate, open accounts, frozen bank balance and questionable securities.

The sales were facilitated by Mr. Ellzey making an assignment of all of his assets to Chas. G. Cobb, Manager of the New Orleans Credit Men's Association, which organization thru Mr. J. B. Charles in charge of Adjustments collected daily the cash receipts from the twenty stores and accummulated approximately $6,925.86.

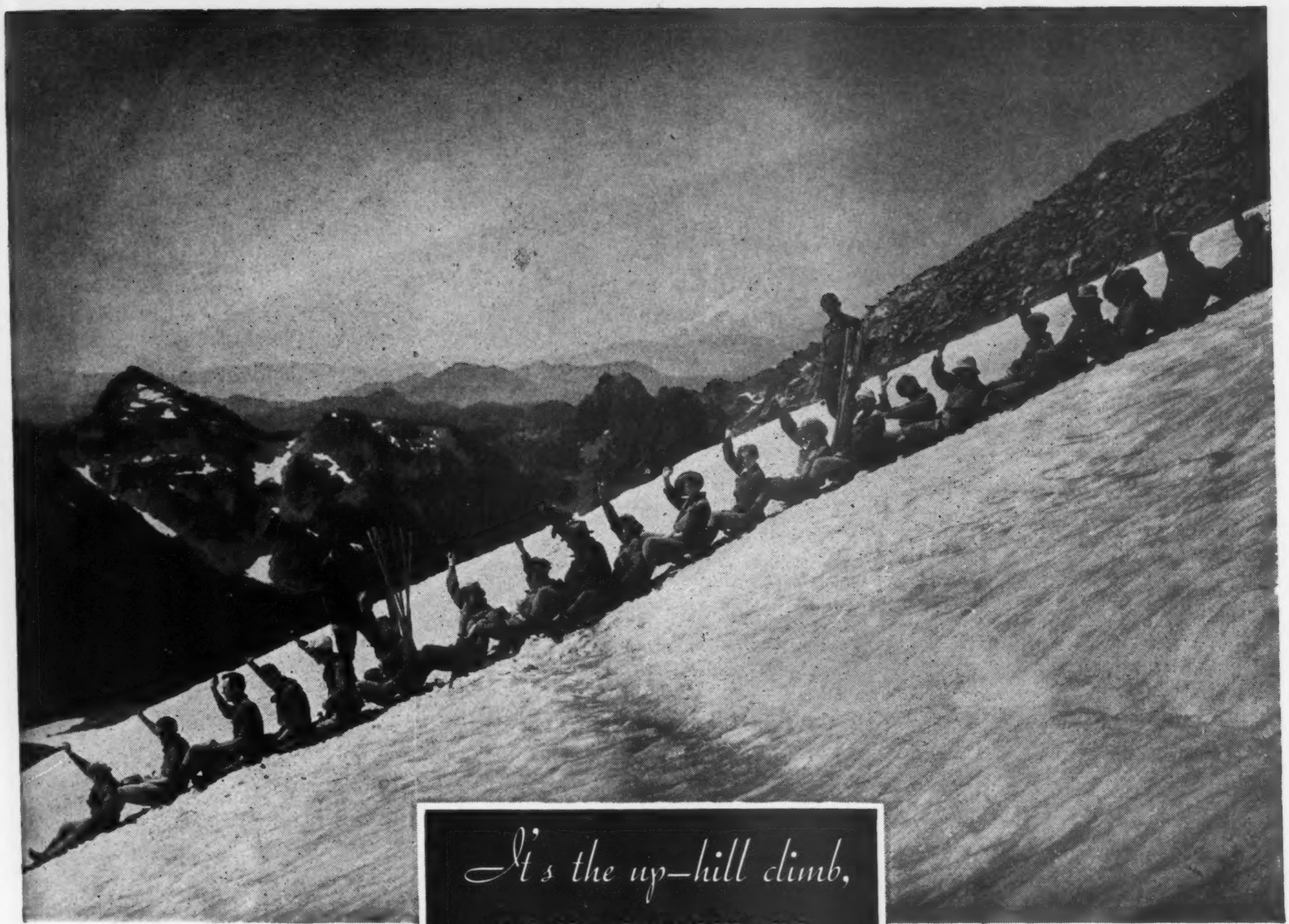
The proceeds from the sale of the nineteen stores was paid to creditors representing a dividend of fifty percent. The funds in trust with the New Orleans Credit Men's Association comprising cash receipts, sale of salvaged merchandise, and from sundry sources together with the first and second installments from the sale of the store to Mr. Ellzey paid the creditors an additional twelve percent, and in due time, when the remaining installments are paid, creditors will receive a further and substantial liquidating dividend.

It is a compliment to the Committee who devoted their time unselfishly for the interest of all to say that the acceptance to the assignment was unanimous, being agreed to by one hundred and fifty-six creditors.

Bringing the debtor into the New Orleans Credit Men's Association and having his business liquidated by them, under the supervision of this Committee is another illustration of the fact that friendly adjustments yield creditors many times over the amount of other forms of liquidation and conclusively shows the value of the right kind of cooperation.

The Creditors' Committee and the New Orleans Credit Men's Association have received numerous complimentary letters upon the successful outcome and are indeed to be congratulated upon their splendid work.

There is some consolation in the homely philosophy of Abe Martin wherein he says, "There's this much you can say about adversity—at least we all seem to be able to stand it—which is more than can be said of prosperity."



STRENGTH

Security

•

Loss Paying Record

•

Permanence

•

Scope

•

Service

FINANCIAL STATEMENT DECEMBER 31, 1934	CAPITAL	ASSETS	LIABILITIES Less Contingency Reserve	CONTINGENCY RESERVE†	NET SURPLUS TO POLICYHOLDERS
American & Foreign Insurance Co.	$1,500,000	$5,776,599	$1,336,955	$56,502	$4,383,142
British & Foreign Marine Ins. Co., Ltd., U. S. Branch	400,000*	2,738,754	734,964	none required	2,003,790
Capital Fire Ins. Co. of Calif.	600,000	1,215,955	144,226	none required	1,071,729
Eagle Indemnity Company	1,000,000	7,120,006	5,120,006	none required	2,000,000
Federal Union Insurance Company	1,000,000	2,702,719	736,769	19,175	1,946,775
Globe Indemnity Company	2,500,000	32,668,069	24,961,149	206,920	7,500,000
The Liverpool & London & Globe Insurance Company, Ltd., U. S. Branch	400,000*	18,435,904	10,360,038	31,710	8,044,156
The Newark Fire Insurance Company	2,000,000	9,093,371	3,687,943	none required	5,405,428
Queen Insurance Company of America	5,000,000	21,558,389	8,642,885	7,837	12,907,667
Royal Indemnity Company	2,500,000	24,969,409	19,969,409	none required	5,000,000
Royal Insurance Co., Ltd., U. S. Branch	400,000*	21,646,812	10,559,907	14,923	11,071,982
Star Insurance Company of America	1,000,000	5,023,000	2,026,406	47,768	2,948,826
Thames & Mersey Marine Ins. Co., Ltd., U. S. Branch	200,000*	1,192,876	333,933	none required	858,943

*Statutory Deposit—New York Insurance Law, Section 27

†Contingency Reserve—representing difference between total values carried in assets for all bonds and stocks owned and total values based on December 31, 1934 market quotations.

ROYAL-LIVERPOOL GROUPS

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